

A PROJECT IN A CASE FORMAT ON :-

THE PERFORMANCE OF KENYA BREWERIES LTD.
TUSKER PREMIUM BEER SINCE INCEPTION :
" A MARKETING AND FINANCIAL ANALYSIS "

BY

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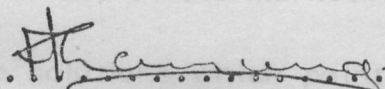
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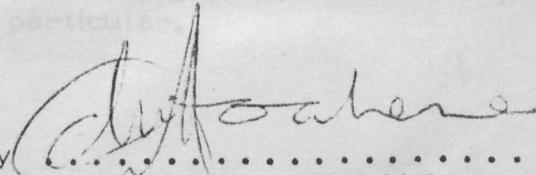
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ABSTRACT

In this study the author looks at the critical issues pertinent to the marketing analysis of a newly produced product, in a Kenyan context.

The general trade imbalance between developing and developed countries has become a point of great concern. The developing countries are looking for ways and means of reducing the imbalance through, both trying to produce all the products that they currently import and also try to produce for export.

The author is on a mission to investigate on new product's fate. The study he hopes will be an indicator to the kind of problems such products face and suggests some solutions to such problems.

The study is accomplished by setting out a theoretical marketing model based on the three marketing concepts of new product development, product life cycle and consumer adoption process. This model is used as a standard to measure the performance of the product. A tabular model is set out to hold the major variables not included in the marketing model.

The author suggests some solutions which point to the significance and unique marketing phenomenon in developing countries in general and Kenya in particular.

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ACKNOWLEDGEMENT PAGES

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My parents Mr. and Mrs. KAMUNGE deserve special thanks for their encouragement, guidance and help in all my academic pursuits.

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PART I

INTRODUCTION

THE STUDY, ITS SCOPE AND ORGANIZATION

The following study is based on assessment and evaluation of Kenya Breweries Limited's (K.B.L.) Tusker Premium Beer, since inception.

The analytical evaluation is based on a marketing framework developed later on in the study. The study is made up of five parts :

Part I is the introduction, which is subdivided into three sections, dealing with the scope and organization of the study, the importance and objectives of the study and lastly the methodology of the study.

Part II is organized into three sections. This part forms the background upon which the study is set. It is made up of K.B.L.'s Company background, the composition and image of the Tusker Premium Beer, and finally a review on the K.B.L. management expectations and reasons behind the introduction of Tusker Premium Beer.

In Part III a conceptual marketing framework for evaluation is developed. This framework is set out into four sub-parts. Part three is mainly a literature review on marketing theory of new product development, followed by the theory on product life cycle, consumer adoption process and, finally, an integrated framework for evaluation which is in a tabular form.

Part IV carries all data and information related to marketing strategy prior to, during and after the launching of Premium Beer. The information is presented in the format set out in part III. This is to make the analysis and comparison of the theory and actual easier using the data collected. This is followed by a comparative analysis of the information with the conceptual

theoretical framework as the standard to determine the effectiveness of K.B.L.'s tactics.

In Part V an assessment is made on the managerial competency of K.B.L. in the launching of the Tusker Premium Beer and its management up to the present. The study ends by presenting a summary and recommendation based on the evaluation and analysis.

1.2. IMPORTANCE AND OBJECTIVES OF THE STUDY

This section of the introduction is divided into two sub-sections. The first one is the justification for the study and the second presents the objectives of the study.

1.2:1 The importance of the study

The significance of the study can be set out as follows :-

1. The importance of premium beer to the whole of Kenyan economy.
2. The study's contribution to K.B.L.'s understanding of its products .
3. Providing an opportunity to apply the marketing theories and concepts taught in the classroom.

Tusker Premium is designed as an import substitutional and an export product. This beer is aimed at catching drinkers who otherwise would concentrate on imported alcoholic products, like whisky, wines and spirits. Below is a tabular presentation of the information on such products. (see table 1). The Government in an effort to conserve the already dwindling foreign exchange reserves is encouraging local firms to manufacture import substitutional products like premium. It is as such important to investigate through a study like this the fate of such products.

Source :-

Statistical Abstract 1979, Central Bureau of Statistics, Ministry of Economic Planning and Community Affairs (Kenya)

TABLE 1

Imports of Beer, Wines and Spirits in Kenya 1969 - 1978 in
'000's of Litres

<u>Year</u>	<u>Product</u>		
	<u>Wines</u>	<u>Beer</u>	<u>Brandy, gin, rum, & whisky</u>
1969	646	637	568
1970	525	1,749	473
1971	927	1,144	921
1972	718	223	785
1973	976	242	628
1974	869	432	671
1975	790	148	625
1976	904	146	702
1977	1,036	113	679
1978	1,513	128	822

Source :-

Statistical Abstract 1979, Central Bureau of Statistics Ministry of Economic Planning and Community Affairs (Kenya)

(d) The study will provide teaching materials for students and also set good grounds for further researchers in the field of new product development. Much of the research done in this field is only on developed countries. The unique cultural and economic values that are found in developing countries like Kenya have either been completely ignored or grossly underestimated. The study shows the extent to which these values may inhibit the over-generalization of the marketing theories and concepts.

According to the information available K.B.L. has never carried out a formal research on its products after launching, let alone on Tusker Premium. The study is therefore a pointer not only to the need for frequent product audits but also provide the framework and procedure to be followed in carrying out such an audit.

Research projects are good grounds for bringing together the theory and the real situation. The study looks at what actually happened to a product and compares this with the standard marketing theories and concept. It is as such a good practice for a student who is just about to leave college to go to the field and apply his theories. The study is an indicator to him, of the problems he would encounter in such an endeavour.

1.2:2 The objectives of the study

The study aims at providing solutions or suggestions on the following :-

- (a) In setting out and analysing problems generally encountered in launching a new product in a developing country.
- (b) Providing a framework and steps to follow for analysing a new product development's behaviour, not necessarily Tusker Premium Beer.
- (c) The project will highlight Kenyan marketing features and cultural values not hitherto brought out by existing studies, though a solution may not be provided.

- (d) The project is aimed at providing teaching materials for MBA marketing or policy development students. With minor modifications the project can be used for teaching Third Year Bachelor of Commerce marketing option students.
- (e) The project also aims at assisting the K.B.L. in deciding the next step to take in view of the light thrown on the product analysis. The study will act as a point of reference in analysing other brands of beer through the general framework.

1.3 METHODOLOGY OF THE STUDY

This section is set out in four subsections, based on the techniques of information gathering, organization of data, the analysis and the areas the analysis will be focussed on.

1.3:1 The techniques of information gathering

The information has been collected by checking on the company's documents particularly financial statements, marketing documents on promotional efforts and cost break down, pricing decisions, placing (distribution) and product policies.

The other major source of information has been mainly personal interviews, expert opinion on production and other technical matters relating to Tusker Premium, and finally personal visits to the production units to get direct and "on the line" information on the processing of the materials and making of the beer.

1.3.:2 Organization of the data

The data is set out in two ways. The study acknowledges the presence of more than two ways of data presentation however, the two used are enough for this purpose. These are graphical

presentations. These set out the trend characteristics of the data and other time-related tendencies on the information. The data is also arranged on a succeeding periodical basis e.g. year 1 - year 2. Thus historical development of the information is exposed.

1.2:3 The analysis

The analysis is both content and comparative. This involves the following : The trend behaviour, which could be an indicator to the future trend and expectations. There is also data seasonality analysis. This provides an insight into periodical market tendencies. Though no formal statistical analysis is carried out, this method is not much different from the central tendency analysis as known in statistics. There is finally a comparative analysis of the data, with the conceptual framework set out in Part III. This is an indicator of the extent to which Tusker Premium's characteristics deviates from the normal theoretical framework.

1.4 AREAS OF ANALYTICAL CONSIDERATION

For the study to be most effective attention is paid to the following areas.

1. The product composition and design. Tusker Premium was produced with foreign markets in mind and it is felt that this might be one of the major reasons why it is doing so badly locally.
2. The price of the product as shown later in the analysis is fairly high compared to other brands. This may mean lower demand compared to others.
3. Attention is paid to the marketing mix used in developing and launching of the product. This may be a major centre of problems.

It is regretted that the study has not been able to resolve or even bring out all problem areas due to time limitation and lack of information.

PART II

This part is set out into three subparts centred on company background, premium beer and management expectations.

2.1 COMPANY BACKGROUND

From a single product in 1922 K.B.L. has expanded its product range and currently produces, Tusker Lager, White Cap, Pilsner, Tusker Export, City Lager, Guinness Stout and the recently introduced Tusker Premium. The major raw materials in making beer are water, barley malt, yeast, sugar, hops enzymes and bitterners. Water is provided by Nairobi City Council. Barley is grown on private farms financed by K.B.L. hops, yeast, enzymes and bitterners are imported from West Germany.

The company's sales have grown from 6.5m. cases in 1970 to 17.5m. in 1980. The increase was particularly pronounced between 1972 to 1974, and 1976 to 1978. The company has a labour force of 3,450 directly employed within its premises and provides jobs for others ranging from distributors to barmaids. The company has a very wide base of ownership with a share capital of Kshs. 14,811,472. with no particular block of share holders owning more than 10%.

The company has a production capacity of 200 million litres of beer equivalent to 500 million bottles of beer per year. This is shared out as follows:- Tusker bottling plant produce 350 million, Allsops 90 million and Mombasa 60 million. The construction of Kisumu Breweries is already underway and is expected to start production in 1982. The plant is estimated to produce a further 50 million bottles a year. K.B.L. estimates that local demand for beer by 1982 will be in the region of 600 million bottles (0.4 litre bottle). Monthly fluctuation in consumption of beer is as depicted graphically below (graph 1). The sales peaks firstly around the months of March and April, and secondly in September and October, sharply rising in December (where there are three national public holidays). This is typical of what happens every year. The growth

in sales for the last 10 years since 1970 to 1980 is as shown in graph 2..

2.2 TUSKER PREMIUM BEER

This section is devoted to a description of premium beer as a product. Here we look at the beer's composition and the image the K.B.L. want to give to the beer and the image the public has of the beer. The section is divided into two subsections:

- i. is on the general process of making a lager beer
- ii. deals with the special features unique to Tusker Premium

2.2:1 The composition and brewing of K.B.Ls lager Beers

In this section is set out the general ingredients and process of beer brewing. Subsection (a) deals with the beer ingredients and subsection (b) deals with the brewing process.

2.2:1 (a) The composition of beer

The undermentioned ingredients are specifically used in the brewing of a lager type of beer. These are, water, barley, sugar, yeast, hops, enzymes and stabilizers.

WATER

Water is supplied by the City Council of Nairobi and is of course the major ingredient by volume of beer, being 80% by volume.

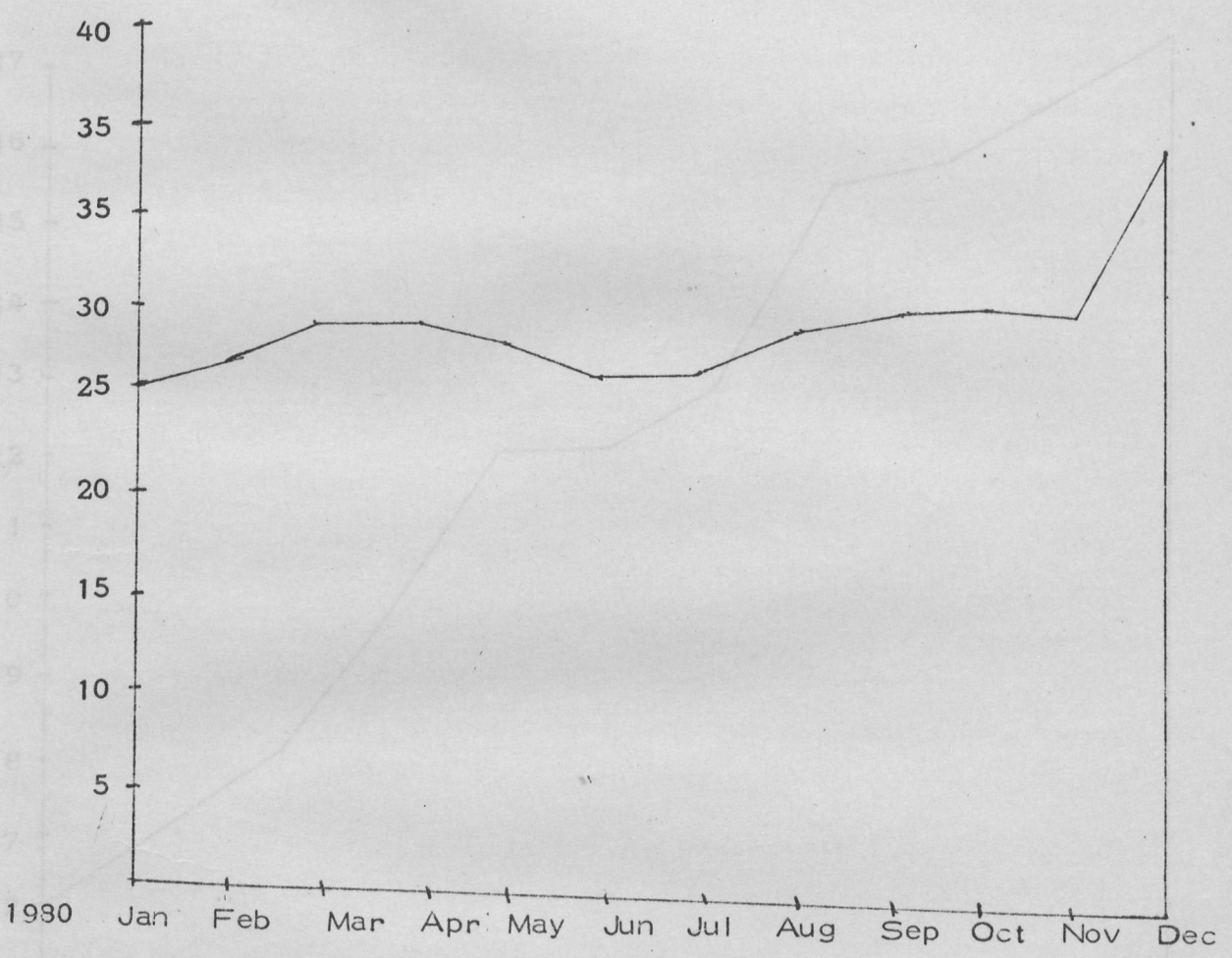
BARLEY

This is in the cereal class of foods and in beer it is used to provide the starch which is later on broken down to simple sugars, to provide food for yeast (the alcohol producing organisms). Barley is also baked mainly for storage purpose and this also gives beer its golden colour. Barley malt (i.e. barley after treatment) gives beer its frothy characteristic. This makes barley unique to other cereals.

GRAPH I

MONTHLY TOTAL SALES FOR ALL BRANDS (IN MILLIONS OF CASES)

THE YEARS. (In 10 Million litres)



N.B. The 1980 seasonal pattern is typical of the annual beer sales.

GRAPH 2

SUGAR

ANNUAL SALES VOLUME OF BEER - IN ACTUAL CASES OVER THE YEARS. (in 10 Million litres)

In Premium Beer sugar is added. The other is brewed from a special yeast. Sugar is added to the beer.

YEAST

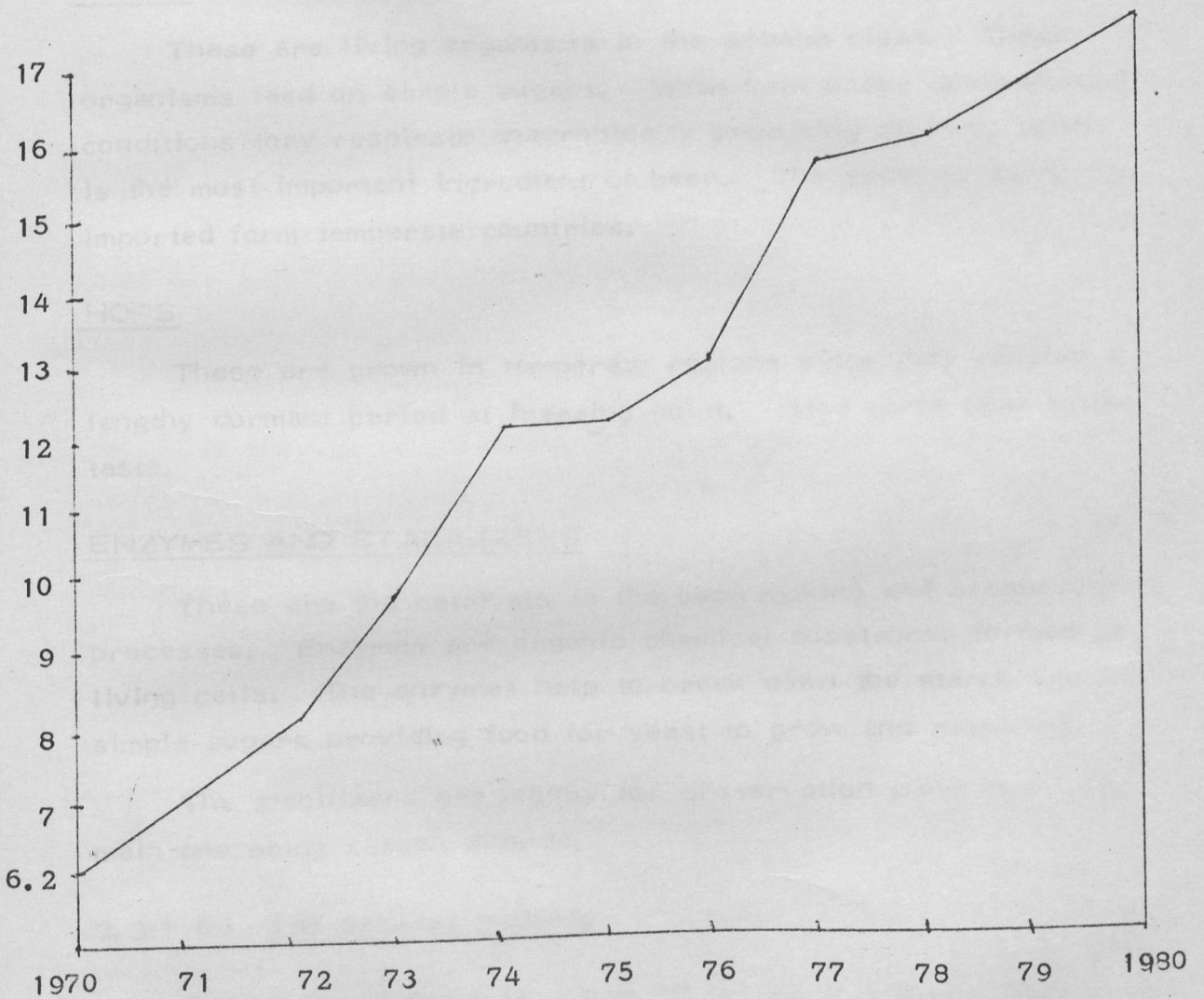
These are living organisms in the same class as organisms that eat and breathe. They respire and produce CO₂. This is the most important ingredient of beer. Imported from temperate countries.

TOPS

These are grown in temperate countries. They are long-lived plants. They are used for brewing beer.

ENZYMES AND STARCH

These are living organisms. They are used for brewing beer. They help to break down the starch in the malted barley into simple sugars. The yeast then uses these sugars to grow and produce alcohol.



SUGAR

This is the common table sugar but for brewing, it is the very fine and white sugar that is used. For K.B.L. it is only in Premium that sugar is added. For other brands, it is syrup from a specialized K.B.L. barley syrup plant that is added.

YEAST

These are living organisms in the amoeba class. These organisms feed on simple sugars. When kept under deoxygenated conditions they respire anaerobically producing alcohol, which is the most important ingredient of beer. The yeast is currently imported from temperate countries.

HOPS

These are grown in temperate regions since they require a lengthy dormant period at freezing point. Hops gives beer bitter taste.

ENZYMES AND STABILIZERS

These are the catalysts in the beer making and preservation processes. Enzymes are organic chemical substances formed in living cells. The enzymes help to break down the starch into simple sugars providing food for yeast to grow and respire.

The stabilizers are mainly for preservation purpose. The main one being carbon dioxide.

2.2:1 (a) The brewing process

Barley for K.B.L. is grown on privately owned farms around Nakuru town. The barley after harvest is sent to industrial area Nairobi for sorting and storage. In Nairobi barley is sorted out for quality by a sample germination process (either through the laboratory or naturally). A germination rate of 95% or higher is

required. Germination opens up the seeds granules for enzymes to break up the starch into simple sugars. The bigger a seed is the higher is its quality because of its higher starch content, and hask size (which is used for providing a filter bed for beer). The barley is soaked in water for a few days to germinate. Seeds of lower germination rate are sent to barley syrup plant and converted to syrup later used in beer. The barley is baked for storage purpose and also to give the beer its golden colour. The barley now known as malt is sent to brew houses where water and enzymes are added breaking it up into simple sugars. The mixture is filtered and yeast added and then kept in air tight containers to compell the yeast to respirate an aerobically and produce alcohol. To this is added hops which gives beer its bitter taste. A brew takes one and half months to be ready.

2.2:2 Tusker premium beer

This beer is in a lager classification and so follows all the processes outlined above. However, the beer is differentiated from others by its (a) High gravity (b) Alcohol content (c) Taste (d) Presentation and price.

Premium has a specific gravity of 1.38 while other beers have a gravity of 1.05. This is because of its higher malt content (2.9 tons per brew compared to others 2.3). This gives the beer a nitrogen content of 2.2% against others 1.8%. The high nitrogen content is a snag which the brewers have not been able to overcome, since it reduces the self life (period beer stays before going bad). Premium has a self life of 12 weeks only while others remain intact for 36 weeks.

The beer has an alcohol content of between 5 and 6% by volume. This compensates for its low volume per bottle of 300 millilitres.

The beer has a bitterness content of 24 P.B.M. while Pilsner has 22 and White Cap 21. Fine sugar is added in the beer to reduce the bitterness. To other beers instead of sugar, barley syrup is added. Premium has a sugar content of 20% much higher than other (average 15%). Like other beers it is preserved under carbon dioxide of 2.5%, by volume. To determine the drinkers taste, preference on the beer, it was subjected to a blind taste test. Out of 10,000 beer drinkers from all over Kenya who were tested on, 80% chose it as the best beer out of all other five brands.

2.2:3 Presentation and pricing Tusker Premium Beer

The beer is decorated with a silvery creamy wrapping on bottle top. As the launch advertisement states, "it has a good creamy head with good retention". "Special clarity and Sparkle". It is bottled in Green 300 millilitre bottle. Green is one of the prominent colours of the country's national flag and is associated with health. The beer is taken in specially designed high class mags which goes with its high image. The beer is aimed at the higher class stratum of the society. It was actually produced for export to North America and continental Europe.

The problem with exportation is on the beers self-life. As noted earlier the high gravity of the beer requires high malt content which means high nitrogen content, - nitrogen reduces beers' self life. The targeted self life for the beer to make it a good export commodity is 50 weeks while it has only 12 weeks. The snag is between high quality and self life incompatibility.

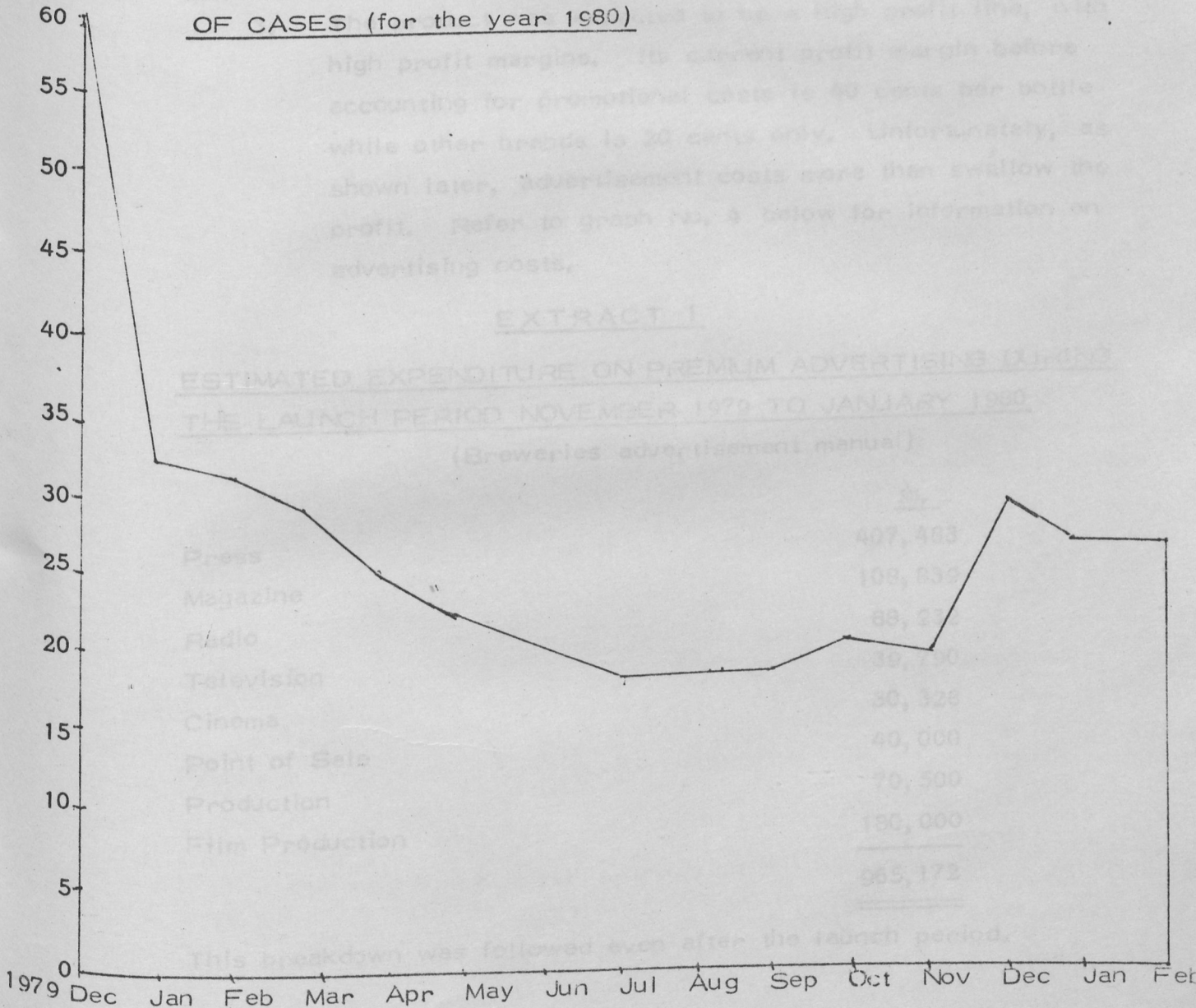
The retail price for the beer by may 1981 was Kshs. 6/=. This looks high especially noting that it is only 300 ml. compared to White Cap beer (5.35 shillings in a bottle of 500 millilitres).

The sale for the beer since inception is graphically shown below (graph³). The apparent improvement on sales for the beer

during November and December 1979 may not be attributed to it alone, since this was at a time that other beers were out of stock. There was a shortage of bottles in the year whose effect was felt at this period also the Mombasa Brewery was out of production because of water shortage.

GRAPH 3

ACTUAL MONTHLY SALES FOR TUSKER PREMIUM IN '000 OF CASES (for the year 1980)



EXTRACT 1

ESTIMATED EXPENDITURE ON PREMIUM ADVERTISING DURING THE LAUNCH PERIOD NOVEMBER 1979 TO JANUARY 1980
(Breweries advertisement manual)

Press	407,403
Magazine	108,830
Radio	88,270
Television	30,700
Cinema	30,328
Point of Sale	40,000
Production	70,500
Film Production	150,000
	<u>965,173</u>

This breakdown was followed even after the launch period.

2.3 MANAGEMENT'S EXPECTATIONS

The information provided on the management expectation is very little. The budget on premium was described as a company secret. Despite lack of information the management's expectations can be inferred to have been the following:-

1. To generate a product in keeping with government's call for export market. This as noted earlier has hit the snag of self-life of the premium.
2. The management expected that the product would capture some of the markets for high social stratum drinkers of such product as, wines, whisky and spirits.
3. The product was expected to be a high profit line, with high profit margins. Its current profit margin before accounting for promotional costs is 40 cents per bottle while other brands is 20 cents only. Unfortunately, as shown later, advertisement costs more than swallow the profit. Refer to graph No. 4 below for information on advertising costs.

EXTRACT I

ESTIMATED EXPENDITURE ON PREMIUM ADVERTISING DURING THE LAUNCH PERIOD NOVEMBER 1979 TO JANUARY 1980

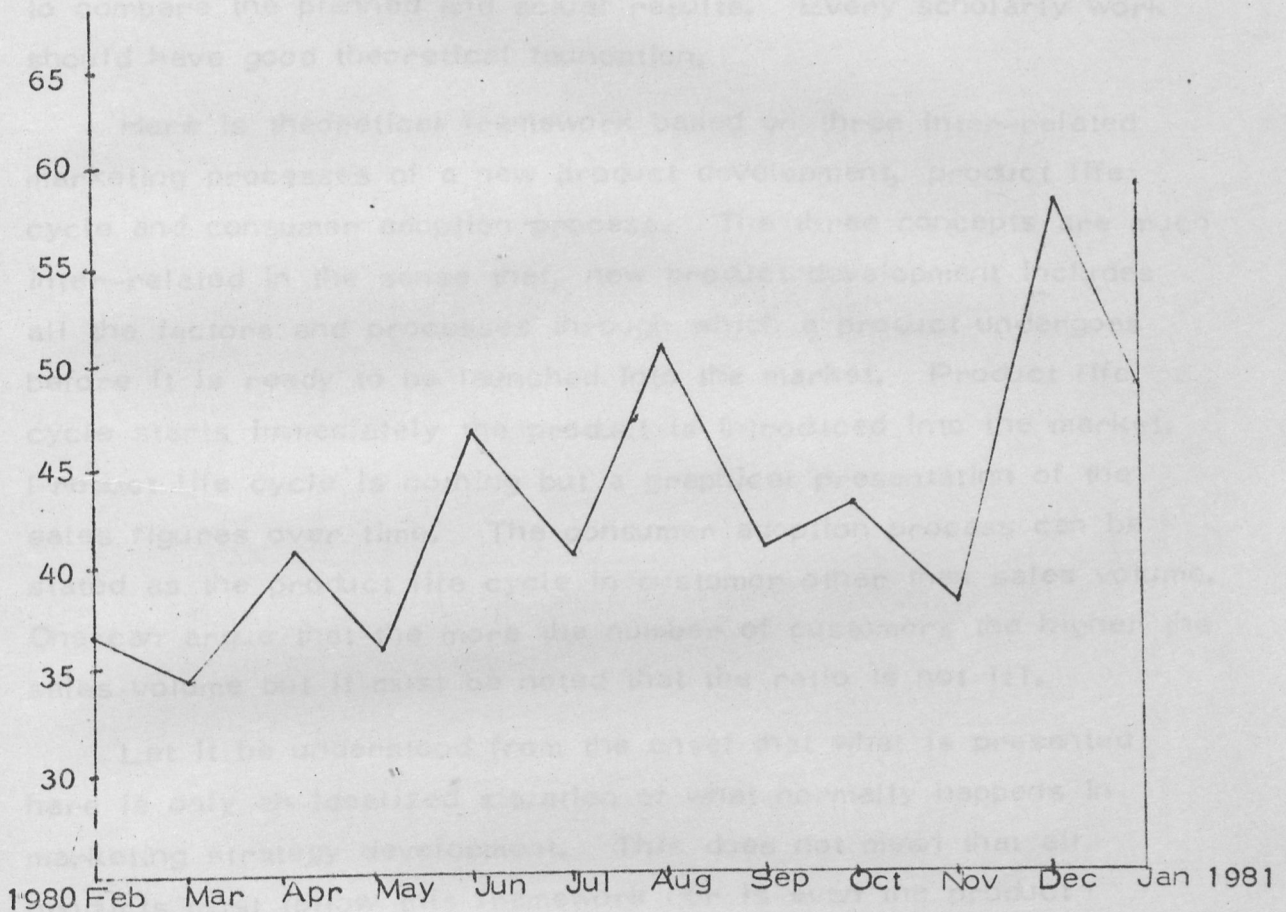
(Breweries advertisement manual)

	<u>shs.</u>
Press	407,483
Magazine	108,839
Radio	88,232
Television	39,790
Cinema	30,328
Point of Sale	40,000
Production	70,500
Film Production	180,000
	<u>965,172</u>

This breakdown was followed even after the launch period.

GRAPH 4

ADVERTISING EXPENDITURE FOR TUSKER PREMIUM FROM
FEB 1980 to JAN. 1981 (in 10 thousand of shillings)



N.B

1. Apparently there is no explanation on the fluctuation of advertisement expenditure as observed on graph 4.
2. Comparing graph 4 with graph 3 shows that there is no relationship between sales and advertisement.

PART III

CONCEPTUAL FRAMEWORK FOR EVALUATION OF MARKET PROGRAMS

One could say that "failing to plan is planning to fail". There can be no good planning without good control measures and standards to compare the planned and actual results. Every scholarly work should have good theoretical foundation.

Here is theoretical framework based on three inter-related marketing processes of a new product development, product life cycle and consumer adoption process. The three concepts are much inter-related in the sense that, new product development includes all the factors and processes through which a product undergoes before it is ready to be launched into the market. Product life cycle starts immediately the product is introduced into the market. Product life cycle is nothing but a graphical presentation of the sales figures over time. The consumer adoption process can be stated as the product life cycle in customer other than sales volume. One can argue that the more the number of customers the higher the sales volume but it must be noted that the ratio is not 1:1.

Let it be understood from the onset that what is presented here is only an idealized situation of what normally happens in marketing strategy development. This does not mean that all products must follow this framework nor is even the product under survey supposed to follow the idealized framework. The framework however, acts as a guide to assist in studying the marketing strategies adopted for the product. With these remarks now turn to the discussion of the three inter-related concepts in detail.

3.1 A NEW PRODUCT DEVELOPMENT PROCESS

There are several definitions of the term "new product" however, for our purpose new product is taken to mean a product that has not been in the market or a significant modification of an existing product as to make it look a totally new product to its former customers. Since our project centres on development of a new product for an existing market it does fit the Ansoff's¹ classification of intensive growth opportunities based on a product expansion matrix, as shown below:-

FIGURE 1

Matrix on the four intensive growth opportunities

	Present Product	New Product
Present market	(1) Market penetration	(3) Product development
New market	(2) Market development	(4) Diversification

The matrix is mainly relevant to the study in strategy 2 and 3.

On selecting the strategy that a company will follow and assuming product development is selected then the company starts on the journey of developing a new product. Kotler² has demarcated stages of product development into seven

1 Igor Ansoff "strategies for Diversification"

Havard Business Review September - October 1957 pp. 113-24

2 Philip Kotler "Marketing Management", 1976 by Prentice Hall Englewood Cliffs New Jersey. Third Edition p. 198

These are grouped as follows:-

- (a) Idea generation
- (b) Screening
- (c) Concept development and testing
- (d) Business analysis
- (e) Actual physical product creation.
- (f) Test marketing
- (g) Commercialization stage.

3.1:1 Idea generation

This is the stage at which a pool of all or most of the possible ideas on products are generated. The bigger the pool the better for management to select the best ideas. Many companies have no formal system of generating ideas and rely heavily on what is happening out or just a single executive producing his ideas. This may be one of the problems that our product is facing. The possible sources of ideas are customers, scientists, competitors, company salesmen, dealers and top management.

3.1:2 Screening

This is the stage at which most of the ideas are pruned out. The company may not have the resources or interest in developing all ideas even if they were all good. So the company will pass on some of the ideas and drop others.

3.1:3 Concept development and testing

This is the stage at which the ideas passed on at stage II are made into actual product concepts. At this point we need to clarify what is meant by product idea, concept and image - product idea is a possible product, described in objective functional terms (what it is supposed to do as seen by the company). Product concept is a

particular subjective consumer, meaning the company wants to give the product. Product image is the subjective picture the consumer actually acquire about a product.

The product concept will determine the product's competition and promotional strategy. These may be grouped as in table below;

TABLE 2
Product and Positioning Concept Testing

		Price	
		High	Low
Quality	High	1	2
	Low	3	4

It is important to carry out test marketing to establish the sector the product belongs.

3.1:4 Business analysis

This is the point at which the product undergoes heavy financial test. It is at this point that the profitability, future sales, rates of returns and contribution margin are computed. This is the critical point in the development since it determines whether the product is viable. There are many and varying methods of measuring a product's commercialability but for our purpose we use the framework developed by Kotler¹ as an example of statistics to be shown, in part IV (analysis).

1 Philip Kotler "Marketing Management" p. 163

3.1:5 Actual physical product creation

This is an important stage in three main ways -

- (1) At this point the product is now produced in a concrete form since before hand it only existed as a concept or diagram.
- (2) This stage incurs heavy costs compared to others.
- (3) It provides an answer whether it is technically possible to translate the product idea into a commercial product. A prototype is produced and then market tested before commercialization.

3.1:6 Market testing

At this point the prototype produced at the product development stage is tested for commercial viability. The market test result can be tabulated as shown by figure 2.

FIGURE 2

Market behaviour test figure

Trial rate	Repurchase rate	Decision taken
High	High	Commercialize product
High	Low	Redesign or drop product
Low	High	Step up promotion
Low	Low	Drop product

Since the product fall in the category of High trial rate and Low repurchase rate I wish to analyse the H-L situation further than others. Assuming we do not drop the product we may redesign it.

3.1:7 Redesigning product

Redesigning may require variation of all or some of the following-

- 1). The product texture and composition.
- 2). The product concept.

- 3). The pricing of the product.
- 4). The repositioning of the product that is changing outlets.

Market testing has been questioned whether it can be an indicator of commercial viability of a product. The following are major criticisms leveled against it -

- 1). The representativeness of the sample used.
- 2). Problems of predicting the future by using current information.
- 3). The problem of extraneous and uncontrollable factors such as economic conditions and weather.

3.2 CONSUMER ADOPTION PROCESS

This is the process by which potential customers come to learn about the new product, try it, and eventually adopt or reject it. It takes up from innovation - The major marketing strategies adopted,

3.2:1 Mass - market approach

This involves distributing the product widely to every one who might be a potential buyer, in distributional terms it is known as intensive distribution - Draw backs are:-

- 1 Wasted exposure to non-potential buyers
- 2 Heavy marketing expenditure.

3.2:2 Heavy - user target marketing

This is likened to selective and exclusive distribution. While making good on MASS market approach it has its own difficulties for example

- 1 Problems of identifying potential users for a completely new product.
- 2 Some potential users may be left out while concentrating on non potential users.

Early adopter theory centres on the findings that,

certain persons tended to be earlier adopters than others and as such the new product developer should concentrate on such persons.

The task of a New product marketer at the time of launching is to define early prospects for his product.

Characteristics Of Prospects;

- 1). Those that would be early adopters
- 2). Those that would be heavy users.
- 3). The opinion leaders.

3.2:3 Stages in adoption process

- | | | |
|----|------------|--|
| 1. | Awareness | Individual cognizant of innovation but lack information about it. |
| 2. | Interest | The individual is stimulated to seek information about innovation. |
| 3. | Evaluation | Consideration whether innovation makes sense to try. |
| 4. | Trial | Individual tries innovation on small basis to improve his estimate of its utility. |
| 5. | Adoption | The individual decides to make full and regular use of innovation. |

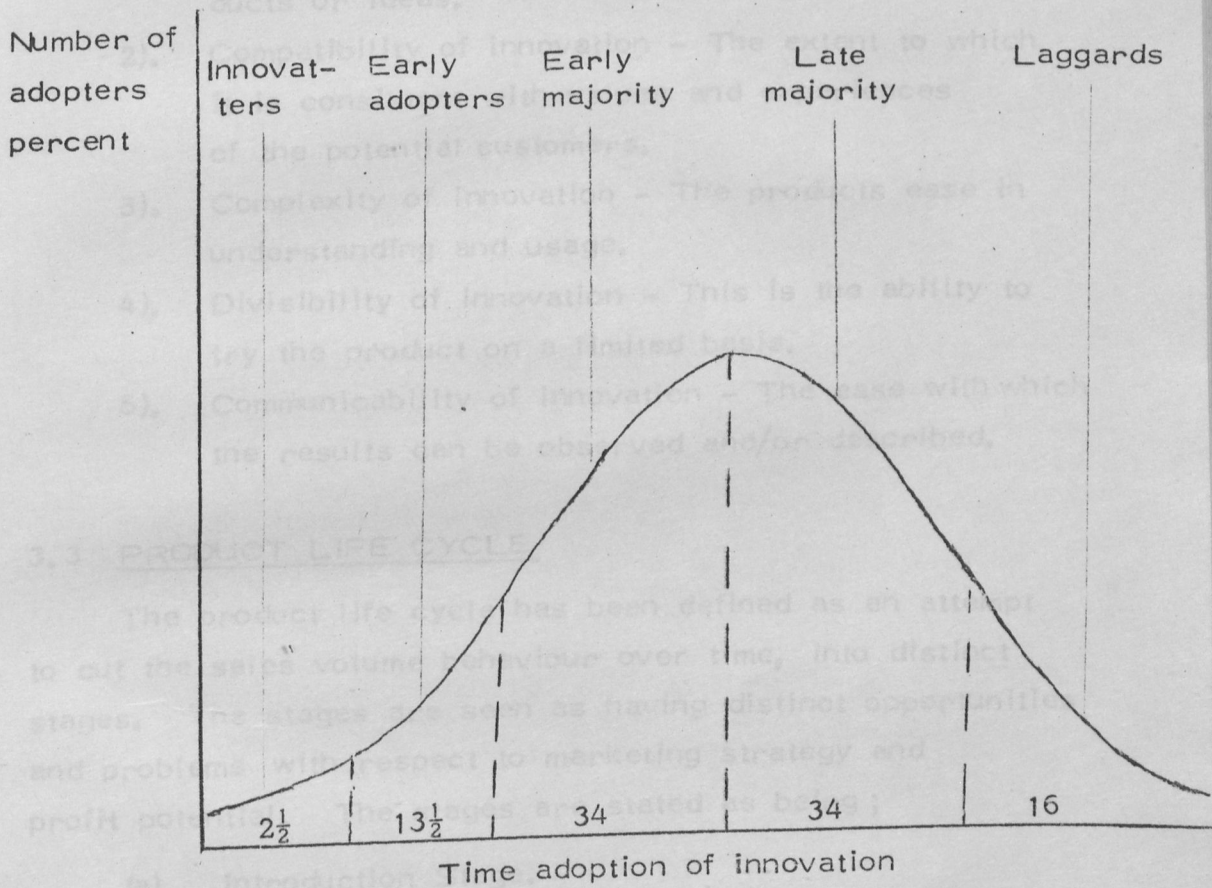
Heavy advertisement may be able to bulldoze a product through the four stages easily but the fifth stage may be difficult.

3.2:4 Individual differences in innovativeness

This is based on the proposition that people differ

markedly in their penchant for trying new products. To operationalize the five classifications the normal curve has been used. Depending on the study being undertaken each of the classes is given different percentage (in rural sociology presented below innovators are given $2\frac{1}{2}\%$ while in marketing they are given as 10%). Below is Rogers¹ version for illustration. (see graph 5).

GRAPH 5
THE CONSUMER ADOPTION PROCESS CURVE



1 Everett M. Rogers "Diffusion of Innovation" New York. The Free Press 1962 p. 162

The main factors affecting adoption process are as follows:-

- (a) Economic (level of income), social status, and mobility
- (b) Personal influence on the buyer.
- (c) Influence of product characteristics in adoption process.

The product characteristics can be grouped as:-

- 1). Relative advantage - The degree to which the new product appears superior to existing products or ideas.
- 2). Compatibility of innovation - The extent to which it is consistent with values and experiences of the potential customers.
- 3). Complexity of innovation - The products ease in understanding and usage.
- 4). Divisibility of innovation - This is the ability to try the product on a limited basis.
- 5). Communicability of innovation - The ease with which the results can be observed and/or described.

3.3 PRODUCT LIFE CYCLE

The product life cycle has been defined as an attempt to cut the sales volume behaviour over time, into distinct stages. The stages are seen as having distinct opportunities and problems with respect to marketing strategy and profit potential. The stages are stated as being ;

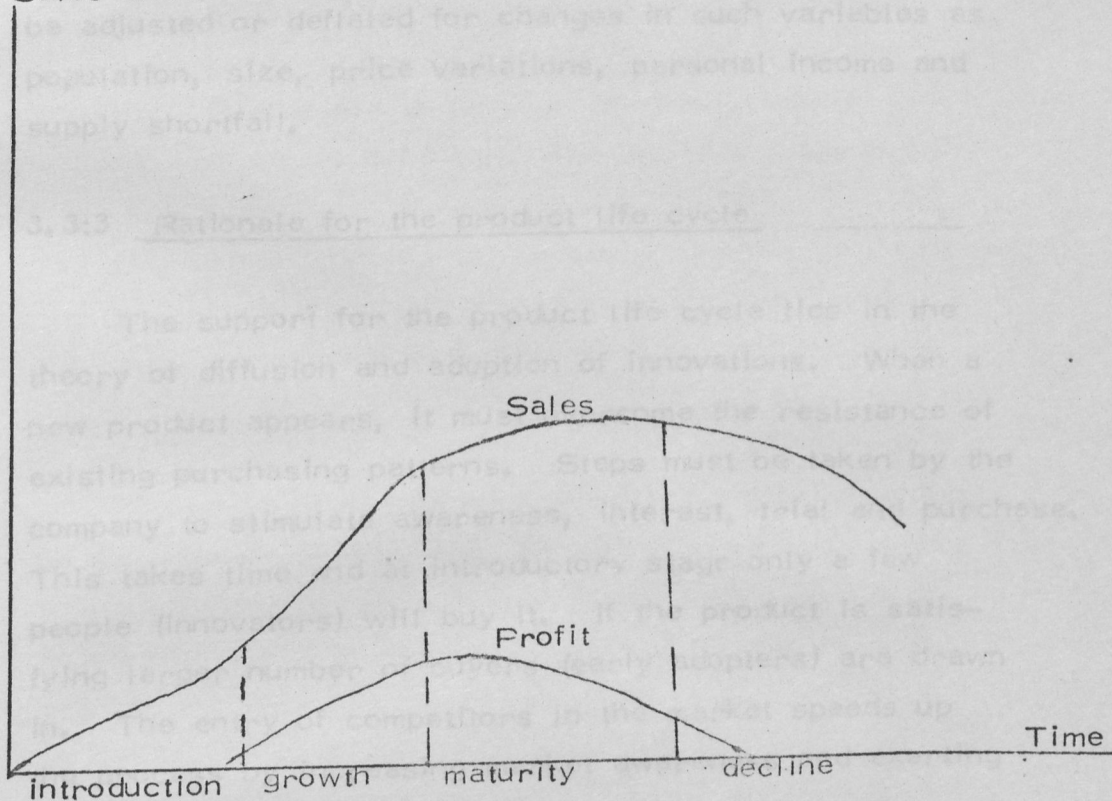
- (a) Introduction Stage.
- (b) Growth stage
- (c) Maturity
- (d) Decline stage

The stages may be diagrammatically represented as follows:-

GRAPH NO. 6

3.3:1 Sales and profit life cycle

Sales and Profit



The idealized S - shaped life cycle is only a standardized situation and need not hold for all products. Other variations can be found in works by Cox¹.

The product life cycle has been operationized by Polli and Cook².

-
- 1 William E. Cox Jr "Product life cycle as marketing Models" Journal of Business October 1967 pp. 375 - 84
 - 2 Rollando Polli and Victor Cook "Validity of the product life Cycle" Harvard Business review November - December 1965 pp 81 - 94

3.3:2 Use of product life cycle

Before plotting a sales time series to assess its product life cycle characteristics, the sales data should be adjusted or deflated for changes in such variables as population, size, price variations, personal income and supply shortfall.

3.3:3 Rationale for the product life cycle

The support for the product life cycle lies in the theory of diffusion and adoption of innovations. When a new product appears, it must overcome the resistance of existing purchasing patterns. Steps must be taken by the company to stimulate awareness, interest, trial and purchase. This takes time and at introductory stage only a few people (innovators) will buy it. If the product is satisfying larger number of buyers (early adopters) are drawn in. The entry of competitors in the market speeds up the process by increasing market awareness and exerting a downward pressure on prices.

More buyers come in (early majority) as product is legitimized. The sales growth rate decline as the pool of potential buyers approach zero. The sales steady as purchases are for replacement later on competition and substitution causes sales to decline.

3.3:4 An outline of the stages and marketing strategies on P.L.C.

Introduction Stage

Characteristics

This stage is characterised by:-
a). Slow growth in sales

- b). Firms putting out only limited versions of the product.
- c). Selling effort is directed to those buyers ready to buy
- d). Prices are usually on the high side.
- e). Costs of production and marketing are usually high.
- f). The technological problems are not yet resolved.
- g). High margins necessary to support heavy promotional expenditure.

Marketing Strategies -

The strategies adopted will be the ratios in which the marketing variables are mixed. The variables are; price, promotions, product and place. An example of the marketing mix is shown below in a tabular form as presented by Kotler¹

FIGURE 3

MARKETING STRATEGIES MATRIX

		Promotion	
		High	Low
Price	High	High profile strategy	Selective penetration strategy
	Low	Pre-emptive penetration strategy	Low profile strategy

1 Philip Kotler "Marketing Management" p. 235

It is possible to analyse each of the 4ps in terms of High or Low level.

The product of concern (Tusker Premium) followed a high profile strategy. Here the firm charges a high price at the beginning in order to recover the initial costs and high promotional effort to convince the market of the product's merit. The strategy makes sense under the following conditions:-

- (a) When a large part of the market has no information about the product.
- (b) If after the market becoming aware of the product, customers are willing to pay the high prices.
- (c) Where the firm faces heavy competition and want to create brand loyalty to its product.

3.3:5 Growth stage

Characteristics

- a) It is at this stage that many dealers start entering the market, with a hope of leaping the initial profits.
- b) The product features and refinements starts to appear.
- c) The ratio of promotional expenditure to sales decline and becomes important contributor to the high profits at this stage.

Marketing strategies

The strategies at this point will include:-

- 1) Continuation of improvement on marketing quality and adding new features.
- 2) Trying to search for new market segments including product repositioning.
- 3) Pushing the product through the consumer adoption process (as outlined later) to purchase stage.
- 4) The pricing decision may be reviewed to attract new customers.

3.3:6 Maturity stage

This is the stage at which most products are. The stage can be subdivided into three substages.

- (1) Growth maturity.
- (2) Stable maturity.
- (3) Decaying maturity

These subclassifications are based on how the sales are behaving that is either increasing (though at a decreasing rate), constant or declining.

Characteristics of The Stage

- 1) There is a slowdown in sales growth, this creates over capacity in production plant leading to high competition.
- 2) The promotional budget goes up in form of, persuasive advertising, trade discounts and other consumer deals.
- 3) The weaker competitors drop out.

Marketing Strategy

The strategy may be classified into different categories as follows:-

- a). Marketing modification - This entails looking for new market segment, stimulating demand on existing customers for increased usage or brand repositioning.
- b). Product modification - This is called product relaunch and takes following forms:-

1. Quality improvement

This would increase the functional performance, durability, reliability, taste, image etc. This would succeed in the following cases -

- i. Where the product is capable of quality improvement.

- ii. Buyers can believe that quality has been improved.
- iii. Sufficient number of buyers can respond to the improvement in quality.

2. Features Improvement

This tries to add product versatility safety or convenience.

3. Style Improvement

This aims at increasing the aesthetic appeal of the product in contrast to its functional appeal.

Market Mix Modification

This entails altering one or more of the elements of marketing mix.

Methods

- a) Cutting prices - as a way of drawing new segments into the market.
- b) Searching for a new and more brilliant advertising appeal to win customer's favour.
- c) More aggressive and attractive promotional tools, sales presentations, posters, show cards product publicity, etc.
- d) Moving to higher volume market channels. Considering channel variations (intensive, selective or exclusive distribution).

3.3:7 Decline stage

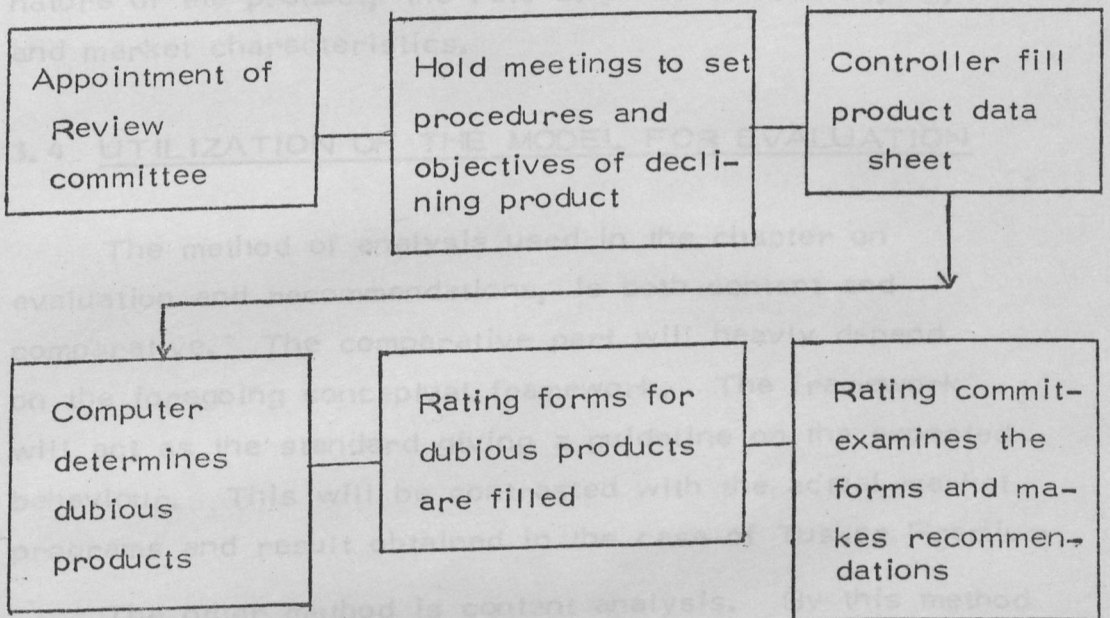
Characteristics

- a) At this point the sales volume starts to decline.
- b) Many firms withdraw from the market
- c) The promotional budget may be reduced, left constant or stepped up.

d) The price may be reduced to keep demand from falling further.

Many procedures have been advocated for identifying and phasing out weak products. The one presented below was adopted from the procedure titled - Weak product review system.

WEAK PRODUCT REVIEW SYSTEM



Marketing Strategies

Here the marketer first faces the decision as to whether to discontinue the product or go on producing it. Should he select to stay in the market, then he faces the problem of deciding which of the following strategies to follow.

Editor of Harvard Business Review "Phasing out weak products" Harvard Business Review March/April 1965 pp. 107 - 118

- a) Continuation strategy - This means maintaining the same marketing mix of pricing, product promotion and placing (channel)
- b) Concentration strategy - This involves opting to continue only in the strongest part of the market phasing out the weak ones.
- c) Milking strategy - This is reduction in total marketing expenditure to increase the margin.

The choice of strategy will heavily depend on the nature of the product, the rate at which it is decaying, and market characteristics.

3.4 UTILIZATION OF THE MODEL FOR EVALUATION

The method of analysis used in the chapter on evaluation and recommendations, is both content and comparative. The comparative part will heavily depend on the foregoing conceptual framework. The framework will act as the standard giving a guideline on the expected behaviour. This will be contrasted with the actual market programs and result obtained in the case of Tusker Premium

The other method is content analysis. By this method the data will be set out into graphical and tabular form and analysed for trend, volume, fluctuations variance and other relevant behaviour. There may not be any standards for comparison but some results would be by themselves either bad or good, for example, no company would invest where there is no profit. Negative profit unless expected to change is not acceptable. When sales trend is downwards this does not give a promising stand for the product.

PART IV

EVALUATION OF TUSKER PREMIUM PERFORMANCE

This part gives a presentation of all facts and information regarding Tusker Premium useful in throwing light on the marketing processes used in promoting and developing Tusker Premium. A word of apology is offered for any lack of full information which the reader may note. It was difficult to get all information regarding the beer because of time limit for the completion of the study, this particularly made it difficult to carry out a survey on the views of the consumers of the beer. No data was available particularly on such areas as, total costs per bottle, profit margins per bottle, while in other cases the management was simply not ready to part with some of the information, so there is much reliance on estimates.

This presentation will be evaluational contrasting what ideally should have been done with what was actually done. The information is grouped into three subgroups. This is in conformity with the conceptual evaluational frame set up in part III, as follows :-

First is the Tusker Premium development, as contrasted with the theory of new product development followed by the consumer adoption process and finally the premium's life cycle, as contrasted with the theoretical standard life cycle.

4.1 DEVELOPMENT OF PREMIUM BEER

The move to generate a product of premium beer's calibre was prompted by the government's request that all companies produce export oriented products. K.B.L. had the idea of going into the beer market for North American countries and Western Europe. To be able to compete effectively the marketing director decided that the beer had to be similar but of higher quality than the beers already in those markets. So the idea for a new product

development was set up since the existing brands could not fill that market. After three months of testing K.B.L. found that premium could be sold in the local market particularly in high class hotels to substitute for the imported alcoholic products. Tusker premium was locally launched in November 1979. This action could be termed as diversification. The product concept was already spelt out by the class the beer was designed for. That is it had to be a high class type of a product. The product was actually produced in mid August 1979 and was sent to the Model Selection Competition in Paris in the same year. The competition is held annually. The beers are tested for quality and presentation. Also important to note is that as earlier stated the product got a very high percentage endorsement (i. e. 80%) as the best beer in the local market (see part II b). On the local standards the beer is on a high price scale as noted earlier in the study, a bottle of 300 ml. selling at shs.6 compared to other beers (e.g Pilsner, White Cap & Tusker) 500 ml. selling at shs.5.35 So it belongs to high quality and price class.

For business analysis Kotler's design in part III on business analysis is adopted and is presented in table 6 below.

TABLE 3

4.2 Premium's sales and profitability figures for the year 1980 (production units are in '000 of cases)

No.	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	Market total units sold	260	275	300	300	290	275	275	300	315	325	330	400
2	Market share per cent	0.14	0.11	0.10	0.08	0.08	0.072	0.07	.063	.063	.060	.060	0.07
3	Price per bottle	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
4	Variable costs/units	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
5	Gross contrib. margin/units (3-4)	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
6	Sales volume/units (1 x 2)	32	30	29	24	23	20	18	19	20	21	20	32
7	Sales in shillings (3 x 6)	192	180	174	144	138	120	108	114	120	126	120	168
8	Gross contrib. margin shs. (5 x 6)	112	105	102	84	81	70	63	67	70	74	70	99
9	Overheads shillings	40	42	40.8	34	33	28	25	27	28	30	28	39
10	Net contrib. margin shs. (8 - 9)	72	63	61.2	50	48	62	38	40	42	44	42	49
11	Advertising costs	60	45	43	45	43	58	48	63	60	52	45	65
12	Distribution shs.	13	12	11.6	10	9.2	8	7.2	7.6	8	8.4	8	11.2
13	Net operating profit (10 - 11 - 12)	(1)	6	6.6	(5)	(4.2)	(4)	(17.2)	(30.6)	(26)	(16.4)	(11)	(27.2)
14	Tax 78% on (13)	-	4.68	5.15	-	-	-	-	-	-	-	-	-
15	Net profit after tax	-	1.32	1.45	-	-	-	-	-	-	-	-	-

4.3 THE ANALYSIS ON THE TABLE

The table reveals the following :-

1. The Tusker Premium's market share is diminishing from initial 14% in January to 6% in November (see low 2). The apparent increase of market share around December is not indicative of future trend since it is at a time when other beers were in short supply.
2. Tusker Premium has a higher contribution margin than other brands. Its contribution margin of shs. 3.5 compares favourably with other beers shs. 2 to shs. 3 per bottle for other brands (see low 5).
3. The volume of sales is getting poorer and poorer from 32,000 cases in January to 20,000 cases by November. The increase in sales around the month of December may be explained as in market share by lack of other brands in the market. The diminishing trend is repeated in shillings of sales, gross and net contribution margins.
4. Advertising expenses poses the major problem. There is too high expenditure on advertising. Though it is common sense that this should result in higher sales, it does not seem to happen with premium. The demand generated by the advertising is not proportional to the amount spent on advertising. In January an advertisement expenditure of 60,000 shillings is followed by 32,000 cases of demand, while 63,000 shillings in August generates only 19,000 cases demand. Looking at the graph on premium's life cycle (graphs 3 & 4), shows that the January advertisement is rather supportive. It is trying to hold the very steeply falling demand for the Tusker Premium. On the whole there is too much of supportive advertisement and if this is relaxed the beer will go to its grave.

5. The beer enjoyed some little profitability only in February and March. This is mainly due to the low advertising expenditure while the sales down trend is not too fast. This demonstrates that the demand for the product is not much dependent on advertising and brewery may have to take a milking strategy, that is reducing advertisement expenditures to make some profit on the beer before eventually burying it as happened to City Lager. City lager one of the original brands of beer was phased out of production in January 1979. It is difficult to get the break-even point for the beer particularly because of advertisement expenditure. There is no clear cut policy on how much to spend on advertising and when (see graph No. 4). There is no apparent relationship between sales and advertisement expenditure level (compare graphs 3 and 4). Depending on the amount of advertising expenditure level the beer would make profit. The major problem is determining the amount of sales resulting from a certain amount spent on advertising. But at production level of 30,000 cases and advertising expenses of 50,000 shillings the company would just break-even.

As noted earlier the premium beer was test marketed before producing it on a large scale. The score of about 80% was fairly promising. As shown in the graph on product life cycle (graph 3) the first sales were 60,000 cases a month. The repurchase rate dropped to about 30,000 and by July, it was 18,000 cases. This then throws the product into what marketers call high trial and low repurchase type of a product. It is only wise to re-examine the product with a view to redesigning it or dropping it. As to what should be done we shall look at later on with other recommendations.

4.4. THE MARKETING STRATEGY USED

The marketing approach used for premium is what is known as Mass-market approach. The beer was channelled to all class of bars and lodges in-discriminately. To create an incentive to the relatively poor drinkers, the beer is sold at lower prices compared to its price in the high class bars Kshs. 5 - and - shs. 6 respectfully. As shown in the advertisement extract No. 2, promotional strategy was on the A and A class (high class bars) where price is not a problem. So the advertising is directed mainly to the heavy user as a target market. The problem with marketing department seems to centre on identifying the high potential market. This is the reason behind introducing the product into the total beer market. Refer to the advertisement extract shown below (extract No. 2).

Extract No. 2

ADVERTISEMENT EXTRACT FROM THE ADVERTISEMENT MANUAL FOR PREMIUM BEER

TARGET MARKET

Male and female beer drinkers of all ages in the A.B. income group are the obvious target market. However, we specifically intend to position Tusker Premium with the target market as the beer which reflects the individuals discriminating taste, their position and status in Kenyan society and to identify them as the decision makers, pace and trend setters. Our secondary target market are those beer drinkers who previously consumed "Overseas" beers and who may feel that "Local" beers do not have the appeal or status-consciousness which goes with their perceived lifestyle.

Finally, we cannot ignore the beer drinkers who is "On the way up" - either in actual terms or in aspirational terms. Whilst not being a "Heavy" consumer of Tusker Premium at the present moment, this group represents a large part of our future target market.

The adaption process and stages for Tusker premium follows the pattern of its life cycle. The consumers were well in advance made aware of the beer. Its promotion was heavily carried out through all mass media and other promotools like key-holder, match boxes etc. The potential customers were heavily stimulated and created eagerness and readiness to try the product. The trial was very high. Within the first week of launching the product, as much as 40,000 cases were consumed. The adaption is quite poor as is shown by the repurchase rate, (see product life cycle graph No.3). This is quite different from the normal product behaviour as shown in graph 6. The K.B.L. objectives are as shown in extract 3 below.

Extract No. 3

AN EXTRACT ON ADVERTISEMENT OBJECTIVES FOR PREMIUM FROM K.B.L. ADVERTISEMENT MANUAL

Advertising Objectives

- (a) To creat maximum awareness of Tusker Premium amongst our target market.
- (b) To achieve immediate trial and continued consumption of Tusker Premium by conveying the charisma of the beer in terms of status and prestige.

- (c) To meaningfully project Tusker Premium's unique characteristics of taste, appearance and quality thus endorsing the consumer's decision to drink Tusker premium.

THE TUSKER PREMIUM BEER'S LIFE CYCLE

The product life cycle for premium is as shown in graph 3. Premium has only been in the market for about eighteen months. It has not settled down to show its true equilibrium state. The life cycle for the premium does not follow the theorised product life cycle as shown in graph 6. As can be seen in the graph on the premium sales the life cycle (see graph 3) shows some very interesting features.

The graph shows very high initial sales. This can well be explained by the heavy campaign on the launching of the product. (see Exhibit 1) and the expenditure breakdown goes to emphasis that fact. The sales later on around July, August comes down to about 18,000 cases. Though the down turn is normal for the beer industry, premium is going too low. The sales picks up again around November/December. As stated earlier this pick-up for the premium coincided with a time when all other beers were in short supply. The major production line that is Tusker Ruaraka was under maintenance and Mombasa brewery was hit by a water shortage. It may as such not be that people were changing to premium but that there was no alternative. Though total sales for all brands went up during this month Tusker premium contributed alot. The product then seems to have reached its peak and is on a down turn. The marketing strategy adapted for this product was a high profile strategy with a high mix of the marketing variables. The product is of very high quality as evidenced by Gold winning competition and

local test market result. The price is also fairly high. It has enjoyed one of the highest promotion of all beers in our time. As shown by advertising and promotional expenditures (graph 4) where it takes about 60% of all expenditures. The beer was well placed in all bars and lodges. Looking at the product life cycle it is very difficult to tell the position the product is in. That is, it is difficult to partition it into introduction, growth, maturity and decline. It seems to have started with maturity and going to decline. The management hopes that the product will pull up and start going up again. That remains to be seen

5.1 SUMMARY

The foregoing is a study based on the assessment and evaluation of K.B.L. Marketing Management after the launching of "Tusker Premium Beer".

Tusker premium was introduced by K.B.L. to fill in the beer market gap occupied by imported alcoholic products. The beer has faced serious and unexpected problems almost forcing it out of the market, after only one and half years of existence. These are as noted earlier loss on sales, decline in market share and self life. The dramatic downfall of the product has aroused interest on K.B.L. and researchers to find out what went wrong.

The study highlights, among others the problems faced by new products in general, the possible theoretical frame for analysing such products and unique Kenyan, social cultural marketing features. The study is designed as teaching material for marketing and policy students at the University.

The analysis has been achieved through collecting all pertinent data on the product checking documentary/43

PART V

C O N C L U S I O N

SUMMARY AND RECOMMENDATIONS.

This part is based on two sections. The first section is a summary of the foregoing study while the last is on the findings and recommendations of the study.

5.1 SUMMARY

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Tusker premium was introduced by K.B.L. to fill in the beer market gap occupied by imported alcoholic products. The beer has faced serious and unexpected problems almost forcing it out of the market, after only one and half years of existence. (these are as noted earlier loss on sales, decline in market share and self life). The dramatic downfall of the product has aroused interest on K.B.L. and researchers to find out what went wrong.

The study highlights, among others the problems faced by new products in general, the possible theoretical frame for analysing such products and unique Kenyan, social cultural marketing features. The study is designed as teaching material for marketing and policy students at the University.

The analysis has been achieved through collecting all pertinent data on the product checking documentary evidence, personal interviews, expert opinion gathering and personal observation.

The data collected is organized into two ways :-
Graphical presentations; to get out the trend and other time related tendencies and tabulation of the data into succeeding periods, to get out the historical development.

The data analysis is both content and comparative. This involves taking trend behaviour to show future expectations. The study uses seasonality and comparative analysis of the data, and the theoretical marketing framework.

5.2.

THE FINDINGS AND RECOMMENDATIONS OF THE STUDY

Looking back on part IV section b, Tusker premium is given highest possible attention in design production and promotional effort. This is no wonder considering the central point it was supposed to occupy as a foreign exchange earner for K.B.L. and the country in general. As shown in Part IV (specifically on the life cycle analysis), the beer has been doing very poorly and may even be phased out. Despite the attention and care given to the product, there are some very important issues which were ignored.

These issues can be looked at under the following headings ; product composition and concept, the cost of production and pricing decisions, market survey and finally the product control.

5.2.:1 The product composition

Despite high production efficiency Tusker Premium Beer has unique technical problems. Its high quality as noted particularly in part II under subsection (b), has necessitated its having higher malt content than other beers proportionately. Malt is necessary to give the beer its high gravity. The malt increase the nitrogen content of the beer which reduce its self life to only 12 weeks. This means that the beer can not be exported or even produced and stored.

It is important for the technicians to improve the self life even if the quality may have to be lowered slightly. They can borrow the developed Breweries technical know how particularly from allied Breweries of which K.B.L. is a member. They should watch out otherwise they may lower the quality below any marketable point. The alcohol content of the beer is too high particularly for the local market. The common drinking practice in Kenya particularly among the Africans is based on, what is called African Socialism. People are always found drinking in groups (some drinkers claim that drinking beer at home or alone is very uncomfortable). Each member of the group buys his own round. With Tusker premium's strength (6% of alcohol by volume) such a group can not be large if each group member is to buy a "round" and they be able even to stagger home. The alcohol should be slightly lowered.

5.2:2 The production, costing and the pricing decisions on Premium

The cost of production for the beer is unnecessarily too high. The beer need not be so much arrayed with much decorations and using more costly bottles than other beers. This may only be necessary for the export market where its outfit will assist its marketability. Contrary to K.B.Ls believe those people in local market who do not drink other K.B.L beers mainly want whisky and wines, not just status, in any case the mere fact that these are imported creates their own prestige.

The beer is given too much promotional effort. The costs involved are translated into higher prices for the beer. The beer has a higher profit margin before advertisement cost than other beers (40 cts/bottle) however, on including promotional costs it records a loss. The problem is that, it is difficult to persuade people to continue taking a product particularly after they have created an impression about it. The promotion should only be enough to maintain those drinking it and may encourage those who are not decided to try. The swahili saying that 'A good thing should sell itself while a bad one needs much advertisement' is a pointer to the local peoples opinion on too much advertised product.

Other things notwithstanding the price of the beer is a bit too high. A price of 6/=for a bottle of 300 millilitres compared to shs. 5.35 for a bottle of 500 ml.

is a bit too much. Reduction on things like alcohol malt and decorations would reduce the cost of production and so the price without much affecting the status of the beer. It is high time Breweries thought of producing a common man's beer equivalent to Muratina, Changaa or Buzaa.

5.2:3 Market Survey

The K.B.L. has all along been assuming that whatever is good for one community must be good universally. The beer was developed in mind the taste and preferences of the North Americans and Western Europe and it is wrong to assume that Kenyans would regard the beer highly. There has been no survey to investigate what the feelings of the local people are as regards the beer. K.B.L. seems to be satisfied that since premium is internationally a great beer it should be accepted locally. Values and norms as indicated above in the name of African socialism should be investigated and incorporated in the beer, if it is to get anywhere locally. Most of the drinkers in Kenya respond heavily to a slight price difference. The argument of quality may not be adequate to convince them to pay the extra money. It is better for K.B.L. to study the people taking the beer and those not taking it to get their views about it.

5.2:4 Premium's control system

The present method of keeping records for the beer may make it difficult to detect how it is doing. The management seems to be satisfied with the recent apparent increase in the sales of the beer. As revealed by the brand, manager and production staff, the apparent increase has resulted from the shortage of other beers.

This means therefore that the beer is not watched closely to determine the factors that are responsible for its decline or increase in sales. The promotional expenditures for all beers are put together. It is possible for the costs to be shared by all beers equally. Considering the lower proportion of Tusker Premium compared to total K.B.Ls production (10% or less) then this method would only paint a good picture of premium beer. The beer takes about 60% of all advertising expenditures as shown on graph 5 (part II section (b)). To be able to assess the effectiveness of the beer its cost of production, contribution margin, profit margin and all other relevant information should be kept separate from other brands

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