

Carbery: Developing New Products in a Mature Market

The challenge of developing new products in a traditional food category

Introduction

Carbery, the west Cork-based company, is a key player in Irish cheese sector. Carbery has been making cheddar cheese since 1968, and today it is Ireland's largest exporter of cheese. In Ireland, cheese-making benefits from the abundant supply of natural raw materials, for instance the mild climate and the good condition of the grassland leads to high quality cows milk, which in turn results in well-flavoured cheddar. Up until the 1980s, the Irish dairy processing sector was strongly orientated towards the production of commodities, such as cheddar cheese, milk and butter. In the late 1980s, Carbery made a decision to reduce its dependency on cheddar and diversity into new valued-added cheeses and food ingredients. Carbery recently made a major investment in its cheese manufacture and ingredient-processing facilities. It is estimated that total cheese production will surpass 30,000 tonnes in the years ahead. This will make Carbery one of the largest cheese plants in Europe and it expects the investment in site specialization and scale will enable it to provide a world class, efficient service for its customers. Carbery employs 195 employees both in Ireland and overseas, and its output will represent some 30% of national cheese production once the new facility is fully on stream.

This is the story of Carbery's route to market leadership in Ireland and the role it played in transforming the Irish cheese market. By looking back over what happened in the cheese market over the past ten years, a clear picture of how Carbery achieved success emerges.

Carbery: the cheese-maker

Following eight years of research and development, the Dubliner cheese brand was launched on the Irish market in 1996. The product was a great success for Carbery and it won numerous awards at national and international level. The Dubliner cheese brand was a novel product, being a mature cheese with a distinctive flavour and a hint of sweetness. As a result, it was more expensively priced than mild cheddar.

Research showed that the imagery of the new product would play an important role in its success. The brand was positioned as a distinctly Irish product, and it embodied values such as quality, tradition, heritage and craftsmanship. The art of cheese making was emphasised in commercials. In one advertising campaign, a traditional musician, Ronnie Drew, a member of the renowned folk group, the Dubliners, was used to endorse the product. Due to the popularity of the folk group at that time, awareness grew dramatically.

Research showed that packaging could also create a 'difference'. In general, the objectives of cheese packaging are to:

- (1) protect the cheese against physical, chemical or microbial contamination;
- (2) reduce loss of moisture from the surface;
- (3) prevent physical deformation of the cheese and facilitate stacking during ripening, transport, retailing and
- (4) allow for product labelling and brand identification (Fox et al., 2000).

Carbery was the first company in Ireland to introduce parchment wrapping to the cheese market. The packaging helped differentiate the new product and carried connotations of quality.

Carbery continues to invest in new product development and its range of products includes:

- Cheddar (mild red and white cheddar, full flavour cheese)
- Low fat cheddar (Carbery Light)
- Vegetarian cheddar
- Mozzarella cheese
- Dubliner Irish cheese

The food-service sector, pizza and burger chains in particular, are important customers. The company supplies own-label products to retailers as well as branded products. Carbery's products are sold in the UK, Europe and the United States, and the Dubliner brand has coast-to-coast distribution in the US through the Irish Dairy Board's comprehensive distribution network.

The cheese consumer

In order to prosper, the players in the industry need to adapt to the changing needs of the consumer. Cheese is a dairy product and forms an important part of people's diet. Studies on nutrition and health have found that saturated fat is connected with coronary heart disease and consumers have been advised to lower saturated fat intake. This factor led to the development of cheeses with a lower fat content. Research¹ conducted with Irish consumers show that cheese still has a healthy image, although the high fat content of cheese is perceived to be a negative factor. There has been a change in the way the product is used. It is surprisingly versatile and is used by consumers as a snack, in sandwiches, in contemporary dishes, and it is also used for cheese-boards. Research shows that consumers exhibit strong loyalty towards local dairy processors. They tend to be brand-conscious rather than price conscious, and the most important purchasing criteria are taste, packaging and convenience. Research found the ability of the packaging to seal and accept adhesive was important to customers. Many cheese producers have introduced new forms of packaging such as re-sealable packs to keep the cheese fresh for longer.

One demographic trend that the potential for changing consumer preferences is the increasing number of women in paid employment, a development that creates time pressure on families, making them more inclined to buy convenience products, for example, grated cheese. Traditionally, Irish consumers have a taste for cheddar cheese. However, research shows that consumers have become more adventurous in their buying habits and more discerning in terms of products that offer good quality and taste. In-store tastings have a significant influence on consumers and encourage trial of a new product. Irish consumers have become more familiar with non-cheddar varieties. There is growing demand for speciality cheeses and the target market for speciality cheese is female, 20-55 years old, middle to upper class, married, and in full-time employment. Blue vein cheese is the fastest growing type of speciality cheese, with a growth rate of around 10% per annum².

¹ Focus group research conducted by the Department of Food Business and Development, University College Cork, 1999.

² A study by Gira Cheese Europe (1998).

The Irish cheese market is valued at approximately €99 million (£69 million)³. It has strong growth potential, given that Irish consumption levels of 6.5 kg is well below the European average. Due to competition between the major supermarket chains and rivalry between multi-national food companies, food choices available to consumers have become more sophisticated and refined. The following table illustrates the wide variety of cheeses available in the marketplace:

Table 1: Cheese varieties available in the Irish market

Type of cheese	Examples
Hard Cheeses	Mild Cheddar, Mature and Extra Mature Cheddar, Edam, Gouda, Cheshire, Red Leicester, etc.,
Soft Cheeses	Danish blue cheese, cream cheese, cottage cheese
Speciality and farmhouse cheeses	These cheeses are treated and have added ingredients such as herbs, garlic or peppercorn.
Industrial cheeses	Mozzarella cheese used mainly by pizza manufacturers
Processed cheeses, spreads and portion packs	Cavita and Galtee brands
Cheese snacks	Cheeses sold with dips and snacks, such as Golden Vale's Cheese Strings, which is aimed at the children's market.
Vegetarian cheese	Carbery Vegetarian cheese
Reduced-fat cheese	Carbery Light
Other varieties	Goat's cheese, feta cheese, parmesan cheese, etc.,

Source: FactFinder

The challenge of developing a new cheese product

Carbery is committed to the development of new products. Ideas come from a wide variety of sources, such as in-house marketing and research personnel, competitors, and contacts with retailers, industrial customers, research institutes, state agencies, market research reports, and so forth. Carbery has a strong relationship with The Irish Dairy Board, which markets Irish cheese overseas. One of the key challenges faced by Carbery is the screening of ideas. There is the risk that good ideas may be dropped or that poor ideas may be developed. The company appraises each idea from a financial, commercial and marketing perspective. The major questions to be answered are as follows:

1. Production capabilities.

Can the new product be produced at the existing plant? Will it have an adverse impact on the production of other cheese products? Is significant investment in existing plant required? Can it be produced off-site?

2. Compatibility with existing product range.

Does the new product have synergies or 'fit' with the existing product portfolio? Can the same raw materials be used?

³ 'Dairy Success', Retail Magazine, 31/01/2001.

3. Marketing issues and performance of similar products in the marketplace.

What are the market trends? Will it appeal to consumers? What is the predicted rate of return on the product? Is the market growing? Is it a 'me-too' product or is there a high level of newness? Is there a need to educate the consumers through advertising and promotion? Are there well-established, competitor brands in the marketplace? What are its advantages over similar products? Is it competitively priced?

The product concepts are assessed by a team of top, middle and junior management, who are drawn from the R&D, marketing and financial departments. Samples of the product are normally developed in a pilot laboratory plant and focus group research is conducted with customers in order to test their reaction to the product. The following table describes various product concepts, along with their advantages and disadvantages:

Table 2: Product concepts

Cheese type	Description	Positive factors	Negative factors
Blue Brie	Soft cream cheese with blue veins.	Good flavour and texture. Attractive appearance.	Very expensive to make. Production problems: risk of blue mould contaminating cheddar cheese. Well established competitors
Semi-hard round cheese	Mild taste, close to the flavour and texture of Gouda.	Good flavour and texture. Existing plant facilities can be used.	Cheese lacks distinctive characteristics. Investment in plant needed.
Soft cheese	Soft cheese, with pungent flavour and creamy texture.	Well liked by cheese connoisseurs. Strong flavour and texture. Distinctive. Unique appearance.	Expensive to make. Not a mainstream product, a niche product.
Probiotic Cheese	Cheddar cheese with live, probiotic cultures that survive in the digestive system and benefit the immune system	Good flavour Healthy image Easily made at Carbery	Similar product failed in the UK High advertising costs: need to educate consumer about probiotic concept Must eat a large amount of cheese to obtain benefit Not a low-fat product

The marketing department decided that a phase of focus group research was required in order to explore the reaction of consumers to the various product concepts. Market research could help the company select one product concept, deal with adverse comments, fine-tune the product before launch, and explore ideas for a market entry strategy. The research objectives were as follows:

- to evaluate customers' attitudes towards new product concepts
- to identify market segments and develop a demographic profile of the target customer
- to obtain information on how best to promote the product

Assignment

- 1. What are the strengths and weaknesses of focus group marketing research?**
- 2. This company choose to commission a programme of focus groups. Given the aims of the company, what other research tools might the company have used? Explain your selection.**
- 3. Design a guide for the moderator/focus group interviewer.**

This case is based on research carried by Dr. Breda McCarthy, College Lecturer in Marketing at UCC. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

References

Fox, P.F., Guinee, T.P., Cogan, T.M., and McSweeney, P.L.H. 2000. Fundamentals of Cheese Science. Gaithersburg, MD: Aspen Publishers.

Appendix 1:

Carbery Website: www.carbery.com

Appendix 2: Awards

Carbery Milk Products won three gold medals at the International cheese competition staged on the 11th June 2000, held by the International Food and Drinks show, IFEX in Dublin. The Dubliner Irish Cheese won the Speciality Hard Cheese Award. Carbery's lowfat cheese took the Lowfat Cheese Award and the company was awarded the Best Overall Hard Cheese Award. During the 2001 World Cheese Awards held in London in The Dubliner Irish Cheese was awarded a Bronze medal and Mature Carbery Cheddar was awarded Joint World Supreme Champion.