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Buying Decision Drivers

An Analysis of the N10 Milk Sachets

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Executive Summary

The expansion of the Nigerian economy as a result of increased trade and interaction with the global economy has resulted in the diversification of products and services sold within local markets. This is clearly reflected in the dairy milk industry where there has been an increase in the number of companies that produce dairy milk in its various forms. The forms include milk in the Evaporated, Condensed and Powdered form, with the latter being the predominant form produced and demanded in the market. Production in the industry is divided into local production and importation, where importation is essentially repackaging of refined powdered milk produced in Europe and other foreign countries.

Different brands dominate the existing categories of the milk market. A recent survey of the milk market revealed what appears to be a concession among the various brands in the different market categories which include the Evaporated, Condensed and Powdered milk categories.

Under the powdered milk category which is the focus of this survey, six brands that produce the N10 sachet were analysed. They include Blueboat, Cowbell, Dano, Jago, Luna and Nunu products.

The survey revealed some interesting findings concerning factors that influence consumers to purchase certain brands and also on how frequently they purchased the products. It was also revealed that consumers of the small sachets also prefer the medium sized packs which weigh and cost more, although their primary preference remains the small sachets.

Local herdsmen mostly in the northern part of the country own and maintain the majority of the cattle who are fed on natural grass under the traditional system. Few commercial livestock farms maintain crossbreeds of foreign breeds including Holstein Friesians, Brown Swiss and Montpelier for fluid milk production and the average yield of these breeds is 18 litres of raw fluid milk per day compared to the national average of only 4 litres. The foundation stocks are mostly imported from South Africa, Europe, Australia, e.t.c.; with the average yield of pure breeds at 30 litres per day.

Currently, most dairy processors in Nigeria import milk powder and reconstitute it into liquid milk and other dairy products such as yoghurt, ice cream and confectioneries. Others repackage imported powdered milk into small affordable sachets. Multi-national firms including Friesland foods (Netherlands), Glanbia (Ireland), Cussons-PZ (UK) and Promasidor have either partnered or acquired some Nigerian dairy firms for reconstituting and/or packaging imported milk powder. Although Nigeria is the largest producer of cow milk in West Africa and the third in Africa, it is a net importer of the product.

Product Categories

Different brands dominate the existing categories of the milk market. A recent survey of the milk market revealed what appears to be a concession among the various brands in the different market categories which include the Evaporated, Condensed and Powdered milk categories.

Evaporated Milk

Evaporated milk sold in small tins, is the single most widely used imported dairy product in Nigeria. In this category, Peak Milk, a product promoted by Friesland foods remains the undisputed market leader despite being the most expensive of the brands, selling between N110 and N120 per medium sized tin. Other brands in this category include Coast milk, Three Crowns milk, Jago Milk, Luna Milk, Nunu and Olympic products. The products are mostly produced in Nigeria by Nigerian owned companies who are in partnership with foreign companies. Evaporated milk is sold mainly in markets, small shops and kiosks. Its major use is in tea, coffee or milky drinks, and it is also diluted with water and given to babies.

Condensed Milk

This is a relatively emerging category of milk in the Nigerian market which although not entirely new, is not as popular as the other two categories. The leading brand in this category is the Hollandia range of milk products.

Powdered Milk

In the Powdered milk category the products are further subdivided into the family size and medium size tins, the refill pack and sachet categories which occur in varying store keeping units (SKU's) or grammes ranging from 8 to 500 grammes. Brands such as Friesland's Peak dominate the 500g segment of the powdered milk market while Chinese and Lebanese companies have assumed control over a larger share of the sachet market, specifically products between 8 and 15 grammes. The sachet category which was introduced by Cowbell in the late '90's was a game changer as it revolutionised the market in the sense that it provided a more affordable option for the low income earners to access the product which was hitherto the exclusive preserve of middle and high income consumers. Leading brands in the powdered milk space include Dano, Peak, and Cowbell. Others are Oldenburger, which is more of a

Market Overview

The expansion of the Nigerian economy as a result of increased trade and interaction with the global economy has resulted in the diversification of products and services sold within local markets. This is clearly reflected in the dairy milk industry where there has been an increase in the number of companies that produce dairy milk in its various forms. The forms include milk in the Evaporated, Condensed and Powdered form, with the latter being the predominant form produced and demanded in the market. Production in the industry is divided into local production and importation, where importation is essentially repackaging of refined powdered milk produced in Europe and other foreign countries.

Recent data figures place the value of the Nigerian dairy milk market at an estimated \$3 billion annually. Industry sources estimate the total cow herd population to be about 14 million, including approximately 900,000 milking cows. From these numbers, the average yield per day was estimated at approximately 4 litres, amounting to 1.3 billion litres of total domestic production in 2006.

high-end brand, Jago, Blueboat and Cool Cow, which is a sub brand of Dano. Cool Cow occurs only in the small sachet category which sells in the 9 and 15 gramme packs. Powdered milk products are sold mainly in markets and small shops and kiosks.

Prices

Prices reflect not only underlying market forces but also qualitative differences in consumption and in policy interventions, the effects which are hard to quantify. In the particular context of Nigeria, differences in consumption habits, in milk quality, in marketing and in price policies, render the measurement of milk consumer price response a difficult task.

Product Profile

The demand for powdered milk products is partly driven by individuals in the mass market with low disposable income. The small sachet milk products are packaged SKU's that range from 8 grams to 900 grams. Below are profiles of products which were the focus of the survey and subsequent comparative analysis.

Blueboat

Ranona Company are the makers of Blue boat brand. The company strives to provide nourishment at prices offering value to its consumers, hence its foray into the sachet market. The full cream milk powder is natural pasteurized Cow's milk from which only the water has been removed by "spray" process. The milk is enriched with vitamins A and D. It is available in 10grams sachet.

Cowbell

Promasidor Nigeria Limited, formerly known as Wonderfoods Nigeria Limited, introduced the first ever powdered milk sachet in the country.

Many consumers shifted attention to Cowbell sachet milk, not only to experience a new product offering, but because of its pocket-friendliness. The milk is rich in vitamins A, C, D, E & K and available in 10 grams size. Cowbell is specially made with fresh skimmed cows' milk and vegetable fat, which contains no cholesterol.

Dano

Dano is made by Kneipe Nigeria Limited, the manufacturers' representatives of Denmark's Dano instant full cream milk powder. It is available in 9grams size and rich in vitamins A & D

Loya

Promasidor Nigeria Ltd. commenced operations in March 1993 as Wonder Foods Nigeria Limited. With the goal of achieving uniformity across the group and more importantly to help further strengthen their international corporate identity, Wonderfoods Nigeria Ltd became known as Promasidor Nigeria Limited with effect from February 2003. Promasidor Nigeria is a member of the Promasidor Group, which presently operates in 26 African countries and enjoys tremendous success in all these markets.

The Loya brand is the first full cream milk powder to be manufactured and distributed by the Promasidor Group. In response to an identified consumer need, LOYA a premium full cream milk powder was launched into the Nigerian market in May 2005. Promasidor positioned Loya Milk as their Full Cream alternative to Peak. Loya Full Cream Milk Powder is wholesome, nutritious and has a rich and creamy taste. The Loya brand promise is to deliver a consistent, premium quality milk powder that assists in keeping the family strong and healthy. It contains calcium, proteins and the vitamins and minerals essential for the growth of a healthy family.

Jago

Produced by Watanmal Group in India and marketed in Nigeria by SOSACO Nigeria Limited. Jago full cream powdered milk comes in various sizes ranging from 15g to 900g

Nunu

Nutricima was incorporated as a private Limited Company on 22nd October 2003 and commenced business on 01 June 2005. The Company is wholly owned by Milk Ventures (U.K.) Limited with equal contribution by PZ

Cussons (International) Plc U.K. and Glanbia Plc Ireland. Other brand names in the stable include Coast and Olympic milk. Nunu was first introduced into the economy segment of the Nigerian milk market in 2005 (Powder in June and recombined evaporated milk REM in November.) It was launched in the economy segment of the market and well received by consumers despite the availability of numerous brands. Targeted at kids and Mom's who are vibrant, trendy, highly opinionated, peer group seekers who idolize successful people, NUNU proved to be a key symbol. Nunu today exists in milk format only; i.e. Powder 3g, 8g, 400g, 25kg sizes and offered in three variants: Choco, Banana split and Merryberry. It also comes in REM 170g size which also has a chocolate variant offering.

Survey Analysis

In order to understand some of the drivers of patronage and preferences or tastes in the sachet milk category, a survey was conducted to provide insight on the market for the N10 sachet. A total of 300 people were interviewed within the Lagos Island and mainland regions. Following below are details of the respondents by age, gender and income bracket.

Chart 1:
Age distribution of respondents

Chart 2:
Gender distribution of respondents

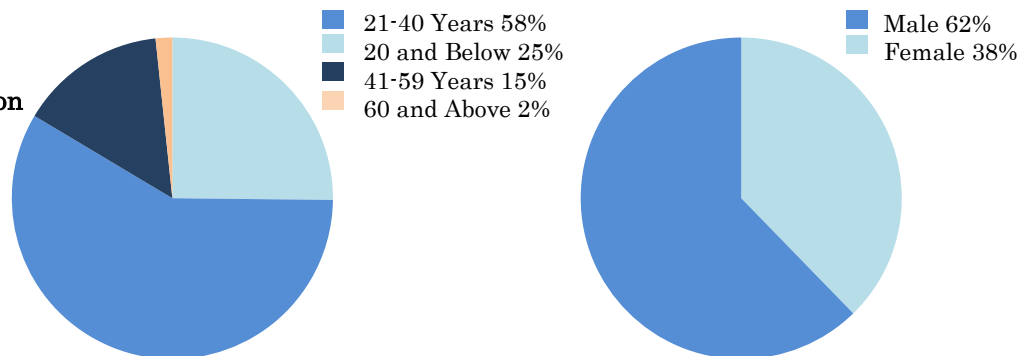
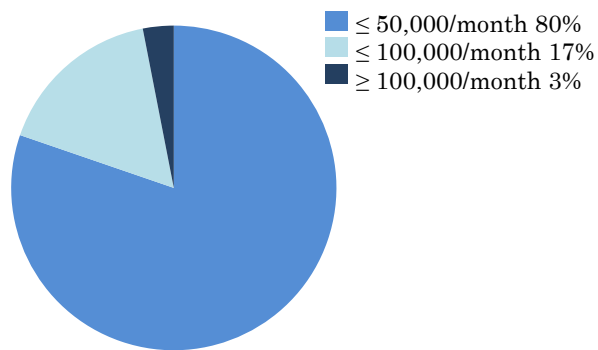


Chart 3:
Income distribution
of respondents



The consumers were asked five questions which are:

- What product the individual prefers?
 - The main reason why the individual prefers a particular product
 - The volume of the product the individual purchases often
 - How frequently the individual purchases the product
 - What size of the product the individuals preferred?
-

Q: Why do you prefer this product?

Chart 5:
Blueboat

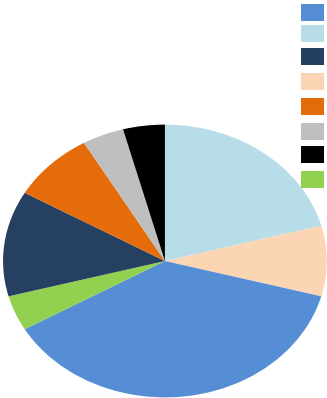


Chart 6:
Cowbell

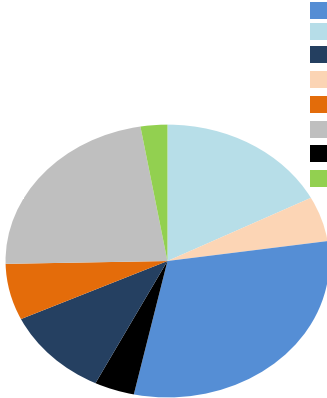


Chart 7:
Dano

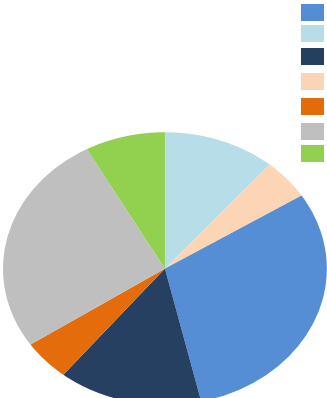


Chart 8:
Jago

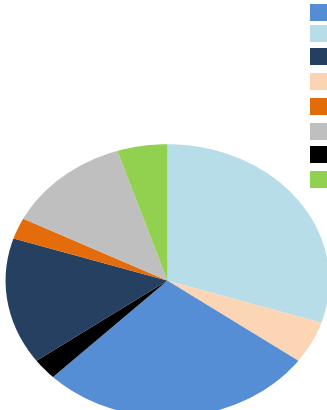
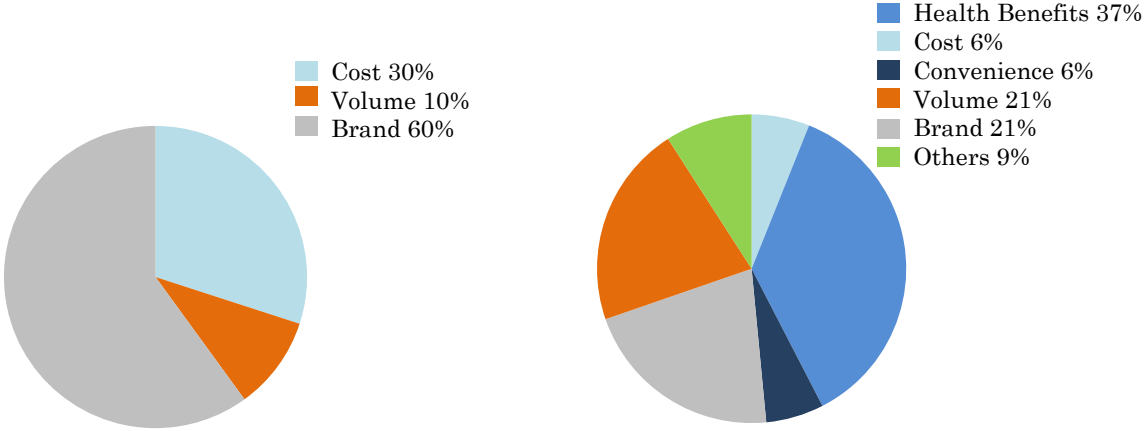


Chart 9:
Loya

Chart 10:
Nunu



In determining the reason why powdered milk consumers prefer a product over others, some factors that could possibly influence preference were considered. Among the factors considered were: Cost, Heritage, Health benefits, Shelf life, Convenience (as it relates to distribution or accessibility), Volume and Brand. In terms of why the respondents prefer the individual products, 38% of Blueboat consumers prefer it because of the health benefits and 31% of cowbell consumers also prefer it because of its health benefits. 30% of Dano consumers prefer it because of its health benefits, 27% of Jago consumers also prefer it because of its health benefits, while 37% of Nunu consumers prefer it because of its health benefits. For Loya milk, none of the respondents preferred it because of its health benefits. Of the six products surveyed, health benefits were cited as the main reason why the respondents purchased four of the products. Other reasons which polled significant results were cost and brand as they were both cited as the alternative factors that influence the respondents to purchase three out of the six products. Following these in order of significance were convenience, volume, heritage and shelf life as factors that influence the respondents' to buy the products

This implies that the nutritional or health benefits offered as well as the brand are significant factors along with the cost of the product, which influence consumer buying decisions for the N10 sachet milk product. Also interesting is the fact that Heritage is almost an insignificant factor as it ranked second from bottom behind shelf life which the respondents do not generally consider as an influential factor.

Q: What volume of the product do you purchase often?

Chart 11:
Blueboat

Chart 12:
Cowbell

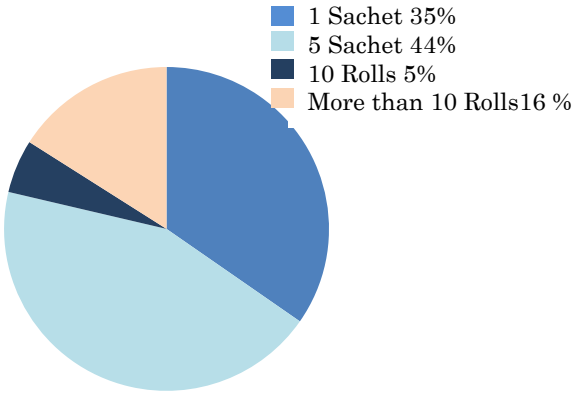
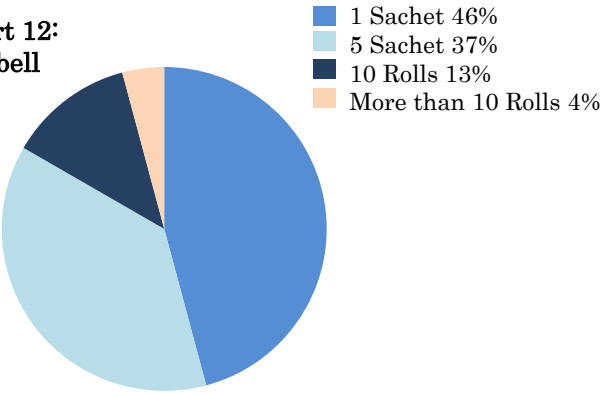


Chart 13:
Dano

Chart 14:
Jago

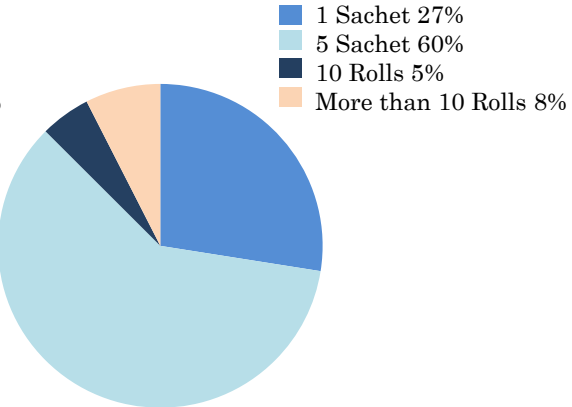
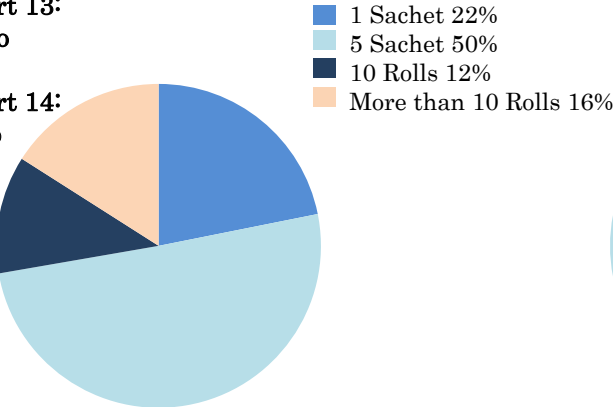
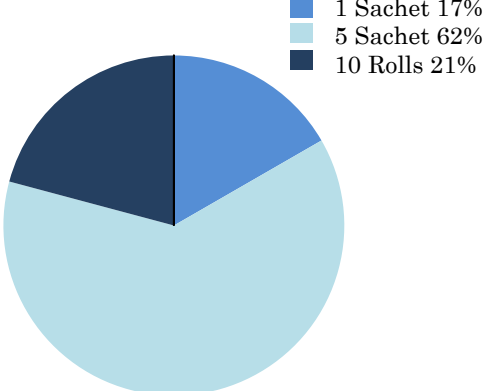
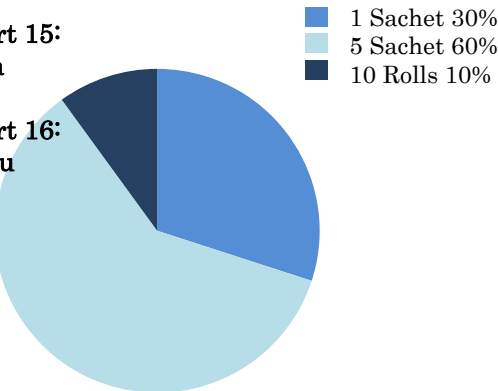


Chart 15:
Loya

Chart 16:
Nunu



In terms of quantity of the powdered milk products purchased often, 46% of Blueboat consumers purchase less than 5 sachets daily, while 44% of Cowbell Milk consumers purchase more than 5 sachets daily. 50% of Dano Milk consumers purchase more than 5 sachets daily, 60% of Jago Milk consumers also purchase more than 5 sachets daily. For Loya and Nunu consumers 60% and 62% respectively purchase more than 5 sachets daily.

Clearly, the findings reveal that most of the respondents purchase 5 sachets or more at a given time, while a significant number of the respondents also purchase 1 sachet or more than one sachet at a given time. However, the number of those who purchase 1 or more than 1 sachet is less than those who purchase 5 or more sachets at a time. Others purchase 10 sachets or more than 10 sachets at a time, but the number of these consumers is less than those who buy 5 sachets or more and those who buy 1 sachet or more.

This implies that majority of the powdered milk consumers purchase more than 5 sachets at a time. This gives an indication of how fast product volumes move in the market.

Q: How often do you purchase the product?

Chart 17:
Blueboat

- Daily 46%
- Weekly 42%
- Fortnightly 4%
- Monthly 8%

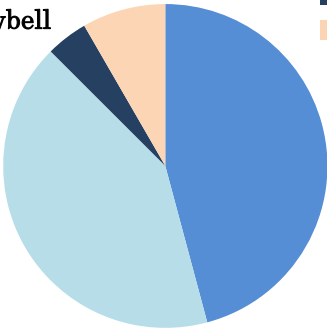


Chart 18:
Cowbell

- Daily 39%
- Weekly 38%
- Fortnightly 7%
- Monthly 5%
- Occasionally 11%

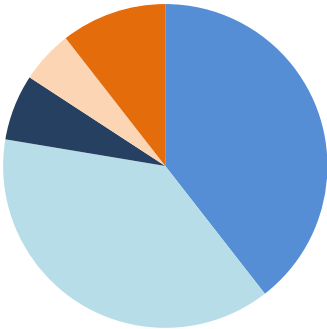


Chart 19:
Dano

- Daily 38%
- Weekly 33%
- Fortnightly 15%
- Monthly 9%
- Occasionally 5%

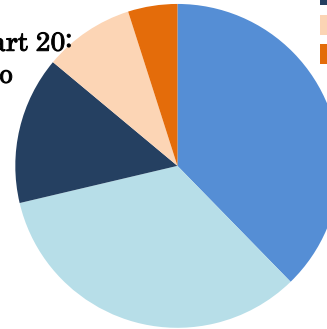


Chart 20:
Jago

- Daily 35%
- Weekly 45%
- Fortnightly 5%
- Occasionally 15%

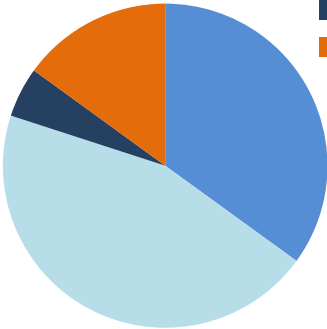


Chart 21:
Loya

- Daily 30%
- Weekly 50%
- Fortnightly 10%
- Monthly 10%

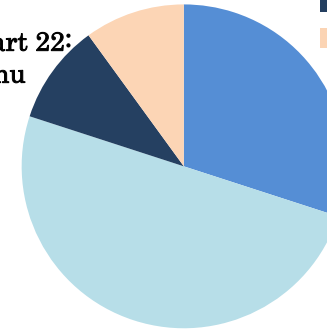
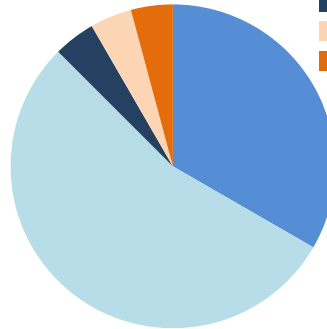


Chart 22:
Nunu

- Daily 34%
- Weekly 54%
- Fortnightly 4%
- Monthly 4%
- Occasionally 4%

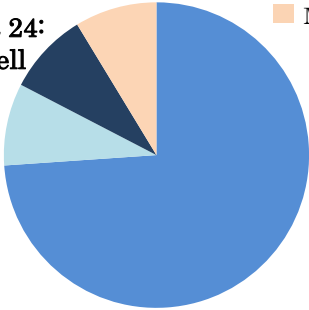


In terms of how often respondents purchase the sachets, 46% of the Blueboat consumers purchase the milk daily, 39% of the Cowbell consumers purchase it daily and 38% of the Dano consumers also purchase it daily. For the Jago, Loya and Nunu milk consumers, 45% of Jago consumers purchase it weekly, 50% of Loya consumers purchase it weekly and 54% of Nunu milk consumers purchase the milk weekly.

This reveals that on the average, a significant number of consumers of sachet milk products purchase the product on a daily or weekly basis as opposed to buying the product fortnightly, monthly or occasionally. Again, this provides an indication of how fast the product moves as consumers purchase it quite often

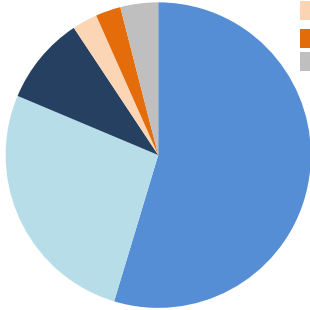
Q: What Size of the product do you prefer?

Chart 23:
Blueboat



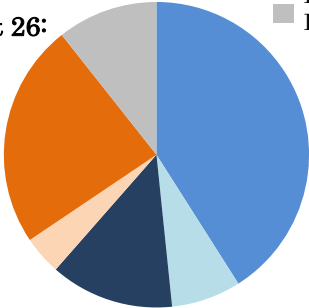
- Small Sachet 74%
- Small Tins 8%
- Medium Sachet 9%
- Medium Tins 9%

Chart 24:
Cowbell



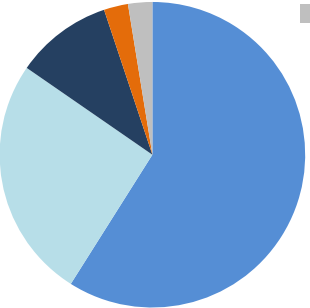
- Small Sachet 54%
- Small Tins 27%
- Medium Sachet 9%
- Medium Tins 3%
- Large Packets 3%
- Large Tins 4%

Chart 25:
Dano



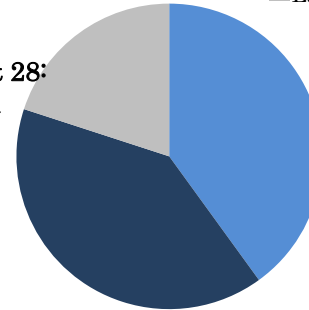
- Small Sachet 41%
- Small Tins 7%
- Medium Sachet 13%
- Medium Tins 4%
- Large Packets 24%
- Large Tins 11%

Chart 26:
Jago



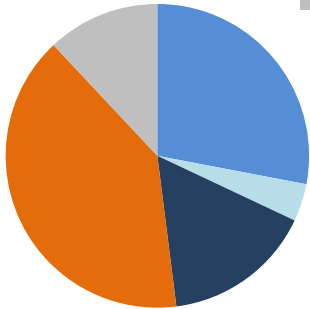
- Small Sachet 59%
- Small Tins 26%
- Medium Sachet 10%
- Large Packets 2%
- Large Tins 3%

Chart 27:
Loya



- Small Sachet 40%
- Medium Sachet 40%
- Large Tins 20%

Chart 28:
Nunu



- Small Sachet 28%
- Small Tins 4%
- Medium Sachet 16%
- Large Packets 40%
- Large Tins 12%

Despite the fact that majority of the respondents prefer the small sachets, they also expressed a significant preference for the larger refill packs or the medium sachets. 74% of the respondents that consume Blueboat milk prefer the small sachets while 54% of the respondents that consume cowbell milk also prefer the small sachets. 51% of the respondents that consume Dano milk also prefer the small sachets as well as 59% of Jago milk consumers who also prefer the small sachets. For Loya milk consumers, 40% of the respondents prefer the small sachets and 40% of the same respondents also prefer the medium sachets. There is a marked difference for the Nunu milk consumers as 40% of them prefer the large packets, while 28% of them prefer the small sachets.

Findings and Observations

From the survey we are able to establish several facts concerning the dynamics of the product or market for the N10 sachet milk products. They include:

- The fact that the nutritional value or the health benefits that the products offer are the key influencing factors for consumers who purchase the product, regardless of the product being purchased. The fact that producers advertise the nutritional benefits of these products is not lost on the consumers and the consequently consider this more so than the cost and the brand while making their buying decisions.
 - Another key finding is that Heritage is not exactly an influential factor that consumers consider when buying the sachet milk products. This implies that products that may have been in existence for long may not necessarily do better than newer or more recently introduced products, as the respondents were not too sensitive to heritage as a factor.
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- It was also discovered that more consumers buy 5 sachets or more of the product at a given time as opposed to buying 1 or more sachets. Consequently, the products move quite fast as consumers tend to purchase multiple units
 - The findings from the survey also reveal that most of the consumers purchase the product on a daily or weekly basis as opposed to purchasing the products fortnightly, monthly or occasionally
 - Interestingly, a significant number of consumers expressed a preference for the medium sized refill packs although more of them still prefer the small sachets
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