



CHAMPIONS TROPHY
Case Competition

Case Study: Lewis Road Creamery

Friday 1 February

Case prepared by Emma Sun under the supervision of Hayden Berkers. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publicly available sources and Lewis Road Creamery. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

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From: Emma Sun

Sent: 1 February 2019

To: Lewis Road Creamery Project Team

CC: Michelle Money; David Dollar; Peter Partner; Warren Wallstreet; John Jobs

Subject: Lewis Road Strategy Presentation

Good morning all,

Today's client, Lewis Road Creamery, is a boutique New Zealand dairy company. They produce a range of milk products, including varieties of milk, cream, ice cream, and butter. The company is best known for its brand of chocolate milk which, in 2014, sparked a frenzied, nationwide shortage.

2018 had been a roller-coaster of a year for Lewis Road, starting with the breakfast milk scandal, which put the company on newspaper headlines over a mistake on the nutritional panel. The company acted swiftly and voluntarily withdrew the product off shelves, narrowly avoiding a potential publicity disaster. A few months later, Lewis Road launched its breakthrough spreadable butter made with a unique blend of butter and sunflower oil. They also introduced a new Kahlua coffee cream liqueur, to join the chocolate liqueur launched the year prior. In the same year they began exporting artisan grass-fed butter into Texas, after months of market research and realising the potential grass-fed dairy products had in the US. Not surprisingly, it was a huge hit on supermarket shelves.

While it seemed like everything was smooth sailing in the latter half of the year, new challenges began to emerge. Domestic competition was as fierce as ever with a new ice cream brand popping up every week. Flavoured milk customers are expecting increasingly more innovation from the company, from flavour through to packaging. Closely positioned competitors such as Puhoi Valley are keeping Lewis Road "on their toes", while traditionally mass market competitors are moving up into the premium space.

On top of this, Lewis Road are now thinking about conquering the next milestone, launching flavoured milks into China in 2019. China's appetite for dairy products is at an all time high, with consumption expected to grow at a rate of 6-7% annually through to 2022. While the market is extremely lucrative, it is also highly complex and foreign, with lots to win but also lots to lose for a small company like Lewis Road. As "enthusiastic amateurs", the immense success of their 2014 chocolate milk in New Zealand was largely unexpected and down to luck. But now as "seasoned pros", how can the company replicate this success in a foreign territory like China? How can Lewis Road ensure that any success is not short lived and the company will continue to grow in China for many years to come?

Lewis Road has come to us today to determine how to make the most impactful launch into China this year, given its resource constraints, as well as a longer term China strategy.

The members of the executive team are looking forward to your presentation of the issues facing Lewis Road and the strategies that you propose.

You will have ten minutes to present to Lewis Road, which will be followed by a ten-minute question and answer session to clarify any issues. Our research team has compiled some relevant information, which is attached to this email.

Regards,

Emma

The idea

“We are on a mission. To create the world’s best dairy produce right here in New Zealand. Lewis Road Creamery has been a journey of discovery founded on a belief that New Zealand should make the best dairy produce in the world and so we set out to do so. We are all about quality over quantity. The fact is, New Zealand has not really taken its dairy produce seriously. We do. We believe New Zealand should produce the world’s best. After all, the Europeans do not have our cows and pasture. We trust you will find our products are a world apart from the typical offerings and that you will love the best New Zealand has to offer.”

The story of Lewis Road Creamery is now the stuff of urban legend. The story begins with Peter Cullinane, out shopping for his lunchtime sandwich ingredients, browsing through the dairy aisle of his local supermarket. Shocked to find that in a land of 6.7 million dairy cows, the only premium butter he could find was a Danish import, he set off to make and sell the best butter in the world as he remembers from “back in the day”.

With a second-hand Italian butter churn set up inside a converted shipping container in Lewis Road, Bay of Plenty, the very first Lewis Road butter was launched in 2012. After this, the company went on into launching organic milk and organic cream. Despite its excellent reviews and premium positioning, Lewis Road Creamery remained a niche brand most had not heard of. It wasn’t until 2014, when the company launched its first chocolate milk, that the company made a breakthrough and turned itself a household brand.

For reasons even Peter could not fathom, Lewis Road chocolate milk charmed and delighted the nation like no brand has ever before. Normal Kiwis became unhinged over their weekly shop at the supermarkets, with supermarkets forced to put on a two bottle limit per shopper. Demand for the milk exceeded supply by a factor of ten. Security guards were patrolling supermarkets to calm the chaos and ensure shoppers did not exceed their two bottles. There were rip-offs in cafés and schools, and even a black market for chocolate milk emerging on the internet, with single bottles of milk selling for over \$26 on local auction website TradeMe.

Following the immense success of the chocolate milk, Lewis Road expanded its way down the dairy aisle, going into additional flavours of milk, ice cream, sour cream, artisan butter, and spreadable butter. It also launched into artisan bread, cider, and in 2018 released its latest creation – a delicious Kahlua coffee cream liqueur.

Today, Lewis Road has over 50 percent of the New Zealand organic milk market and leads the flavoured milk category with 33 percent. It also has a presence in the US, having launched its artisan grass-fed butter there in 2018. There are plans to expand its grass-fed dairy range there, and there are talks of entering the large and lucrative Chinese market.



Peter Cullinane: from adman to milkman

Much like the dairy brand he has built, Peter's own story is something to marvel about. His parents were children of the depression: both families lost farms in the 1930s and Peter's dad, despite being a bomber pilot during the war, was an innately cautious man. His work ethic rubbed off on his son: at the time Peter was doing his masters degrees he was also running an ad agency and a dairy company and was on the board of SkyCity and Antipodes Water (where he was a founding shareholder).

Growing up in Wellington, New Zealand, Peter went on to attend the Victoria University of Wellington where he later dropped out to pursue a career in advertising – a lucrative and exciting industry in the 1970's. A 19-year-old Peter soon found himself running the advertising account for the Air Force and five years later he was running the Wellington arm of up-and-coming agency Mackay King.

By the time Mackay King was bought by Saatchi's in 1988, the agency was the second biggest in the country. By 1997 Peter was running the whole thing as Saatchi's New Zealand CEO. By the time he left Saatchi & Saatchi in 2001 he had become their global COO. Living the high life in New York, he was inspired to return home after witnessing the 9/11 bombings up close.

Upon returning to New Zealand, he founded Assignment, a new glitzy-free advertising company in 2002, and Antipodes Water, in 2003. In 2010 he went back to University, and now holds MBAs from Harvard University and the University of Auckland, as well as a Master of Management from the University of Auckland. Today, Peter, 68, is on the board of five companies, three of which he founded, and two he currently chairs.

Lewis Road is a company he founded on the backs of years of international exposure and marketing experience. To Peter, Lewis Road Creamery was established to be a challenger brand and to voice a point. "If Lewis Road proves anything it's that New Zealand's future can lie beyond commodities and we're genuinely capable of producing world-class products."

Idea to market

"The kitchen is at the heart of what we do here at Lewis Road and it allows us to test, try, taste, and try again - every day in some cases, until we get something that we think is 100% perfect, for you, the consumer. It allows us to innovate, not in a factory, but in the office, with the team, all of which have now got fine tuned tasting palates. Peter always says, if we love it, then others are bound to, too."

Unlike most FMCG companies, which can predict what will happen in the next year based on what happened the year before, Lewis Road's performance is highly unpredictable. No two years will be vaguely like each other. To match this, Lewis Road's approach to new product development is also very different.

The head office in downtown Auckland is not like any typical office. The main feature is its stunning country-style kitchen. This is where most of the R&D is carried out, with product developments moving at a lightning pace. If it's good enough, the same idea being whisked away on the bench may end up on shelves in a matter of weeks. Peter believes that constant innovation is the best way to build brand loyalty.

"We do things differently with fewer resources but the ability to be nimble and quick and stay ahead is where the advantage lies."

"We don't ask how to make something cheaper, or how to produce as much of it as possible, we only ask ourselves this: How can we make it as it should be?"

"For instance, our rose ice cream is beautiful, exotic, and expensive. As a small company, we can't compete with the large corporates on price so we don't. The price may be expensive but worth every cent."

There are many ways the Lewis Road approaches innovation. The company frequently engages in cross category innovation – mixing real chocolate with milk to get chocolate milk, and mixing that chocolate milk with alcohol to get chocolate cream liqueur. The company also believes partnership is part of their DNA. Collaborations with Whittaker's chocolate, Chef Sean Connolly, Pic's peanut butter, and Pernod Ricard have yielded highly successful innovation products.



Producers not manufacturers

“The product and the brand are not two separate pieces of the puzzle. They are inseparable and indistinguishable. We view our brand and our product as one and the same. Our products are the ultimate delivery mechanism for brand. This concept informs our thinking at every step of the process.”

While Lewis Road started with butter, the company quickly realised there was huge potential for a premium version of other dairy products – permeate free milk, old fashioned non-homogenised milk, real double cream, for example.

They were quick to discover there were passionate producers willing to work with them, to bring those products to market and turn ideas to reality. Very early on, Lewis Road had set out to grow as producers of dairy, not as manufacturers, with a business model based off the Stan Shih Smile Curve. This model was rare in NZ, particularly in the FMCG industry.

“The beauty of this model is that we can brief the best manufacturers and talent available, so we can be sure we are using the very best and creating the best products possible – and then focus our efforts on branding, design, distribution and sales. Our ability to keep growing is limited only by our imagination.

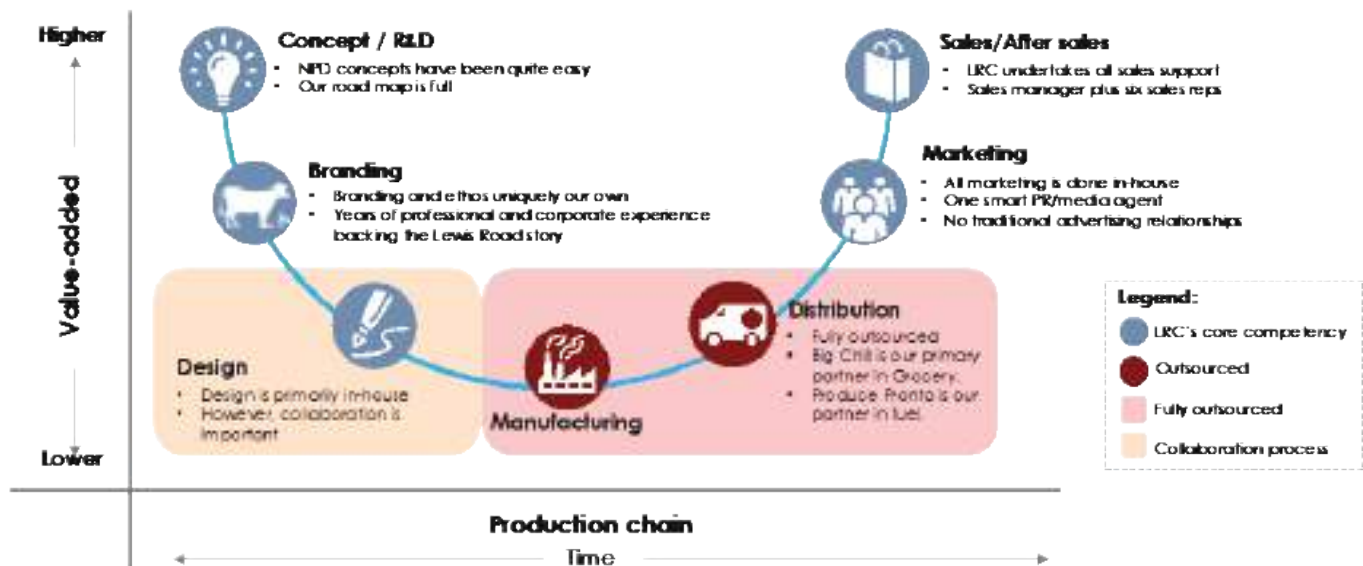
For the raw milk used, Lewis Road have two key partners, Green Valley Dairies, an independently owned bottler with their own farms and the

Organic Dairy Hub, a group of farmers who have formed a co-op to foster the growth of organic milk. In addition to these partners, Lewis Road engages with a number of other, largely small, independently owned New Zealand companies to help produce the growing range of products. The number of supply partners Lewis Road works with is ever-growing and covers everything from development, production, packaging, and distribution.

The difference might appear subtle but the company believes the implications are significant. “We are free to choose, work with, encourage, and reward partners, so that our growth benefits many. Without over-egging it, we think this way of working is a real blueprint for the next generation of companies in the primary sector.”

Peter takes immense pride on the company’s ability to be “nimble” in order to challenge the Fonterra’s of the world. Everything at Lewis Road must align with the nimble way – from the flat hierarchy, to the speed of taking idea to market, and focusing on being more creative than corporate. For these reasons, Peter decided to back away from the original plan to manufacture the Lewis Road product in-house and is focusing instead on the branding and idea behind the company.

Using this model, Lewis Road has never once stood still. It does not define itself to be a dairy company. Instead the company is all about bringing consumers “moments of delight” and is set on a mission to continuously charm and delight the nation and beyond.



Source: Smile Curve first proposed by Stan Shih, the founder of Acer computers based in Taiwan



The products

White milk

Lewis Road sells three ranges of white milks, all of which are permeate-free. One, Organic mixed herd, one Organic Jersey, and the other Premium. The organic milk is sourced exclusively from Green Valley Dairy farms (GVD) and protected by Oritain's technology that traces the milk to source. Not only are GVD major producers of organic milk but they are processors too. And being independently owned, they were able to work with Lewis Road to bring the range of organic milks to consumers. The premium milk is largely sourced through GVD's supplies and topped up on occasion by other suppliers, including milk from farmers who supply Fonterra. The Gold Top, believed by Lewis Road to be the best tasting milk available on market, is sourced exclusively from the Jersey Girl Organic farm in Matamata.

Lewis Road first began selling its milk in 2013 at a time when bottled water was more expensive than an equivalent sized bottle of milk. At the time very little organic milk was being processed or consumed, and most non-organic milk was sold with permeate being added to it, in an effort to reduce its cost to the processor. Lewis Road entered the market believing that there were sufficient consumers who would be prepared to pay the extra cost that organic milk entails. Not only does the organic milk need to come from certified organic farms but at the processing level, it also needs to be kept separate from standard milks.

Consumers were happy to pay a premium for organic milk, packaged and treated in a way that shows respect for the product and the farmers who produce it. Then the unexpected happened. Demand outstripped supply in very short amount of time and Lewis Road were often finding themselves having to tell supermarkets that they were out of stock.

Their solution was to offer a further range of milks. A range of non-organic Premium milks, labelled as such, sourced primarily through GVD's farm supply but also topped up with supplies from others, including Fonterra. "It's what we do with the milk (or don't do) that separates us from the other brands. The Premium range sells at a lower price point than our Organics but is still permeate free."

Lewis Road currently have 52% market share in premium milks, with New Zealand's total premium milk category worth \$22m. Three key players fight for distribution and shelf space, and there has been recent entry of smaller boutique brands with differentiators. White milk (\$10.4m) makes up 42% of Lewis Road's total FY18 sales.

Fresh flavoured milk

Currently there are six flavours available: Whittaker's Chocolate, Double Espresso, Caramel & Butterscotch, Organic Strawberry, Milk & Honey, and a limited edition Gingerbread Spiced Milk. Lewis Road's flavoured milks are characterised by an extremely rich, sweet taste, and consumers are supposed to be able to taste what the real flavour is meant to be. The milks are made with only three ingredients, with permeate-free premium milk and sugar forming the basis of each. It comes inside a clear 300ml bottle allowing the natural colours to be visible. Some of the more popular flavours are also available in a 750ml or 1.5 litre form. When it was first released, a 300ml bottle sold at \$4.99 and a 750ml bottle was \$6.99. Since then the price has come down to \$3.70 for a 300ml bottle and \$6.50 for a 750ml bottle.

Lewis Road's Whittaker's chocolate milk was the first to be released, and helped the company make its big break in 2014. At the time, fresh flavoured milk was available, but New Zealand had never seen milk "made with real ingredients" before. Fresh flavoured milks came only in four artificial flavours: chocolate, strawberry, banana, and telly-tubby-green lime flavour. They were typically sold in large 2 litre bottles side by side next to the white milks, and carried a similar price tag to white milk. UHT flavoured milks were also available and were typically sold in small 250ml cartons. It primarily featured in children's' lunchboxes as it was affordable and convenient.

It can be seen that Lewis Road's chocolate milk was in a league of it's own, from taste, to packaging, to the luxury price and positioning. It's entry into the flavoured milk market saw the segment double in size and saw Lewis Road take the market leadership position within six weeks of launch, a position they have retained since. Since 2014, the company has released new flavours every year, with the most popular flavours remaining permanent. They also release limited edition flavours on occasion, as with the currently available Gingerbread Spiced Milk. To celebrate festivities or significant events, the company occasionally changes the packaging by adding pink ribbons to support the breast cancer foundation, to printing Christmas hollies, to a pink pig to celebrate Chinese New Year.



Butter

Butter was the first to come in the Lewis Road family and the company continues to believe it is the best butter in the world. In New Zealand, the butter uses a recipe which blends the best of Fonterra's export butters including a heavily cultured butter that is exported to the Middle East and an uncultured butter produced for the European market. The resulting product is rich, smooth and creamy with a cultured taste and velvety finish. These "silver foil" butters come in Unsalted, Lightly Salted, Sea Salt Crystal, and Artisan Sea Salt Crystal butters varieties.

In 2018, Lewis Road Creamery also began exporting 100% grass-fed butter into the US after noticing a gap in the market for an artisanal grass-fed butter. Grass-fed cows produce a butter which has a much richer golden hue compared to their grain-fed counterparts and provide additional health benefits. Lewis Road's US "gold foil" butter is available in salted and unsalted varieties, and is currently available in-store three States: California, Texas, Oklahoma. During the initial launch, Peter and General Manager Nicola flew over and hosted "meet the maker" sessions in supermarkets. The response was overwhelmingly positive with additional batches needed to be made and flown over. As part of the US campaign, Lewis Road also attends natural food expos, social media campaigns on Facebook and Instagram, and invests efforts to recruit US roadies (fans). Social activity was geotargeted around stores stocking Lewis Road butter and a US specific website was created specially to showcase the gold-foil butter.

Ice cream

Launched in 2016, Lewis Road's premium ice cream took the number one, two, and three position in the first six weeks.

In recent years however, the domestic Ice Cream category has become a highly competitive, cluttered category that is very promotional and abundant with innovation. A raft of new competitors have come on the scene – Haagen Dazs, Ben & Jerry's, Halo Top, and many other smaller players. Stores are pushing back on traditional flavours as chiller space

comes at a premium. The standard vanilla's and hokey pokey's are not enough to retain sought after shelf space. As of Dec 2018, Lewis Road ranks outside the top 10 brands for ice cream sales in New Zealand.

It is currently available in six flavours: Peanut butter, Double Caramel, Vanilla, Double Hokey Pokey, Chocolate, and Peanut Butter & Jelly. They come in 470ml tubs at \$8.99, with an eye-catching baby blue striped design. The company also has a botanically inspired Artisan Rose ice cream available only in a handful of specialty stores and commands a premium at \$11.99. Crafted in small batches using pure rose water and garnished with rose petals, it is made, packed, and labelled entirely by hand. It also comes in a 470 tub, with a striking gold stripe design.

The artisan ice cream was created with one thing in mind: it had to be something "only Lewis Road could do" – something stunningly beautiful, a photographer's dream that would go nuts on Instagram, and could be served at world class restaurants.

In the ice cream market it has seen a trend towards "permissible indulgence". Portion controlled formats is key as we have seen more people buying for themselves as a one time treat and an increasing demand for single serve portions for snacking on the go. There is always more room for indulgent innovations, and there are fears that Lewis Road flavours may not stand out among ice creams by competitors being named "Death by chocolate", "Black doris plum crème fraiche", "Chocolate shake it truffles" at first glance. Continuous innovations such as the new chocolate shell covered ice cream tubs is making magnum lead in this category.

Further, the immense success of HALO TOP has proven that the Ice cream market has an appetite for more recipes that balance indulgence with added nutrition. A record number of vegan launches was seen in 2017, and healthier options with reduced fat and sugar and protein enrichment is becoming increasingly popular. Consumers also like seeing more communication and transparency in the labelling, explaining where, when, and how the ingredients are sourced.





Southern pastures

Purpose

To develop an ethical agricultural practice that balances community and social needs with productive and sustainable farming systems.

In October 2017, Lewis Road Creamery welcomed Southern Pastures as a cornerstone shareholder with a 50% ownership of Lewis Road. Southern Pastures is an institutional dairy fund in New Zealand focused on utilising free-range, grass-fed, and animal welfare based sustainable farming to deliver premium health giving products. Southern Pastures also has key strategic post-farmgate alpha investments through its joint venture in New Zealand Grass Fed Milk Products with Westland Milk products.

Brand champions

Roadies represent the “inner circle” – the most loyal standing army of fans, and have been integral to the success of Lewis Road in New Zealand. Roadies represent volunteer brand ambassadors and act as the Key Opinion Leaders (KOLs). Anybody who is passionate about the company is able to register to become a “Roadie” on the Lewis Road website. The community identity was created to make them feel like an integral part of the brand and family. Roadies are included in every part of the process, from generating ideas of new flavours, to being the first to try the new products. Roadies love feeling like they’ve contributed to a true Kiwi success story and helped an 100% kiwi business. To show the importance of Roadies to Lewis Road, the company frequently

rewards the community by revealing new products before they are officially launched, giving away merchandise, and hosting various social media competitions.

As of December 2018, Lewis Road Creamery has over 200k Facebook fans and 38k Instagram followers. This social media following is 83% female, majority between the ages of 18-35, with a growing global presence (NZ, Aus, UK, USA, India, Canada, HK, SG, Colombia, Denmark, Iraq and more). Lewis Road is extremely active on social media and aims to respond personally and in real-time to every message.

The initial launch

While Lewis Road firmly believes that “a good product will sell itself”, it also admits that the unintentional shortage of chocolate milk in 2014 actually did well for the company. The “fear of missing out” (FOMO) mentality helped the brand build immense publicity and momentum.

This unintentional campaign had a lot of things going for it: an overwhelmingly positive blind taste test, a burgeoning black market on TradeMe, ‘desperate’ retailers refilling bottles with their own substitute product, rationed wholesale supply and in-store purchase restrictions, and a supplier which publicly stated their manufacturing couldn’t keep up with demand. It was also a low cost ‘luxury’ consumer product – one that consumers could indulge in but without a caviar price tag.

While social media contributed heavily to Lewis Road chocolate milk’s cult status, the company actually spent very little on traditional advertising. It burned through around \$20,000 of a shoestring marketing budget before it became clear that fanning the flames was unnecessary.

The next chapter: Our China dreams

Lewis Road Creamery flavoured milk despite being a hit in the New Zealand market, is vastly different from any milk beverages currently available in China. Characterised by an ultra creamy, rich, and sweet taste, it is hard to gauge whether the tastebuds of Chinese consumers will be accepting. Miniature group taste testing sessions in China has shown surprisingly positive results however. Despite the butterscotch caramel flavoured milk having the highest sugar content, it also received the best feedback. Should Lewis Road keep the same products to preserve their unique New Zealand identify or should they modify the flavour profile to more closely resemble the popular Chinese drinks?

At the present they are primarily considering Shanghai as the launch destination given its high income and population density as a tier 1 city, Internationalisation, and modern tastes. Lewis Road would like to enlist your help to come up with a roll-out plan for the launch of the “first 100,000 bottles” of flavoured milk into Shanghai, in order to maximise the brand’s reach and impact in the region in the first half of 2019. In particular, Lewis Road would also love to hear your thoughts on how the brand can continue to expand in China in the longer term, to avoid being just another fad product. The company has set an initial pre-launch marketing budget of RMB\$1.5m, with potential to increase this with a convincing strategy.

Selection of Chinese social media platforms



WeChat

All in one social media and messaging app developed by Tencent. It is the largest social network in China, with over 1 billion monthly active users. Chinese users spend an average of over 70 minutes a day within the app. Personal accounts can be used by individuals, while business can create official accounts to stay in contact with their customers and promote promotional information. Tencent used to have restrictions on advertising, but they now allow brands to advertise on WeChat with banner ads, KOL advertisements, and Moments ads (similar to Facebook’s news feed). The app is an advocate for QR codes, with scanning QR codes being the primary way to add contacts and provide a link from the online world to the physical world.



Weibo

The most popular micro-blogging platform in China and can be considered as a combination of Twitter and Facebook. With Weibo, users can upload videos, images, and GIFs. They can also follow an individual and read their posts, like and share them, without being followed back. As of 2018 Weibo had 431 million monthly active users. It is specifically popular among young white-collar workers and the urban online population with mobile phones. Companies can also create and manage a page for users to interact on, and are even able to directly sell their products through the page.



Little Red Book

Cross-border ecommerce platforms primarily used by post-90s urban females. It had over 30 million monthly active users. Content on the platform tends to focus on product photos and shopping experiences, including shopping tips, deals, and experiences from overseas trips. The platform has similarities to Pinterest, and users can browse through lists of the most popular brands for a category, and through products on brands’ exclusive pages. KOLs on this platform can directly influence sales through the content that they generate, making this a very attractive platform for foreign luxury brands, with many already taking advantage of this.

Key opinion leaders

Traditionally Lewis Road has relied on Roadies to act as volunteer brand ambassadors, and as the key opinion leaders. However, going into China, with foreign social media platforms, a much larger social media base, and concentrated powers in the hands of expensively paid KOLs, the company is effectively starting from zero again. Lewis Road is also worried the same story and the idea of supporting a small and local business will not resonate with the Chinese market.

According to a study released in 2018 by A.T. Kearney, receptiveness to brand recommendations by celebrities (78%) and online celebrities (63%) among social media users in China ranked higher than in any country surveyed. Selecting the right product ambassador is extremely important to deliver the right image.

Conventional celebrities

Traditionally, marketing on Chinese products typically relied on the endorsement of a well-known face, a household name to gain brand awareness and consumer trust. In today's fan economy, the new generation brand promoter – a young idol, typically a member of a boyband/girlband or an actor/actress, can bring about huge traffic and crazy fans. These new generation idols are at the forefront of leading trends.

An example of this idols is LuHan, a young Chinese actor who began his career as a Kpop star in a Korean boy band. On the 8th of April, he posted a photo of himself posing next to a mailbox on Weibo. The mailbox quickly become a scenic spot with thousands of fans flying across the country to take a photo next to the mailbox. In order to support their idols, fans would buy the idol's promoted products, and also as a way to stay "in-trend".

Fans not only buy the products for themselves, but would also share and promote the idol's product on social media to invite their friends and family to buy it. Not only are mainstream brands using this approach,

luxury brands are also opting for this approach, with Chanel x Cai Xu Kun, Chivas whisky x Kris Wu, Lancome x Wang Jun Kai all being highly successful campaigns. In particular, the Chivas x Kris Wu "Success is blend" campaign achieved 300 million exposure volume on Weibo.

Endorsement fees of the most popular idols such as Kris Wu and LuHan starts at RMB5m (NZ\$1m). Partnerships with a second tier idol such as ZhuZhengTing start at RMB1m for a one-off cooperation, for which the idol will make one Weibo post or video of the brand. For RMB3.5m, the idol will offer 2 Weibo posts of the brand, participate in 1 offline event, and authorise the brand to use their images on EC platforms.

Wang Hong (internet celebrities)

A new generation of brand promoters "Wang Hong" – internet celebrities have emerged. Unlike conventional celebrities, the styles of Wanghong are more distinct and their fans or followers reflect this. The fanbase of each Wang Hong is likely to come from clusters of people with very similar demographics and interests. For the post-90s generation, Wang Hong are perceived to be more authentic and less distance as compared to conventional celebrities.

Wang Hong often create videos on topics such as "how to do makeup", "how to dress right", "snack hauls", and "gymming" etc. Through giving away useful tips and advice, Wang Hong plays an important role in the purchasing process and act like a trustful advisory. These internet celebrities have broken the monopoly of traditional media, and have thousands of followers who are willing to receive and believe information from them.

When internet celebrities have enough followers, some companies will contact them for advertising. Wang Hong also do not come cheaply. For example, in 2016, inserting an advertisement in China's most famous Wang Hong Papi Jiang's internet video program will cost the company RMB22m. There are also thousands of other internet celebrities covering a range of different categories, each with a different price tag that corresponds to their level of influence.



Case Study: Zhong Xue Gao

In China, entry of player Zhong Xue Gao has seen immense potential for ice cream. Zhong, Xue, Gao, are three characters that represents three traditional last names in China. The ice cream comes in stick formats with a design that is inspired by the roof tiles of traditional Chinese palaces. It comes in 11 different flavours, all made with high quality imported materials such as Ruby chocolate from Ecuador, Lemon Citron from Japan, Yoghurt from Greece.

Founded in May 2018, it took Zhong Xue Gao only 6 months to become a brand sensation. Three leading KOLs act as brand ambassadors, each appealing to a different age range/gender demographic. At its core, it is a high quality product with a good taste, unique appearance, and very high price (retail price between 12-66RMB per stick, 6-20 times higher than similar products, and even more expensive than Haagen-Dazs). The brand spent a huge amount on social media marketing, saturating all the platforms and led by the three KOLs. In addition, it collaborated with upcoming blockbuster movies, and Tmall, offering a themed ice cream gift box and a movie gallery featuring Zhong Xue Gao ice cream blocks.

Zhong Xue Gao started off in Shanghai, and quickly expanded to other Tier 1 cities (Beijing, Guangzhou, Shenzhen), opening up 8 pop up stores in total. These pop up stores are exclusively located in the trendiest and largest shopping malls in each city, with each pop up store elaborately decorated with different themes. Because the company has invested a great amount on the in-store décor and product packaging, the first thing consumers do when they buy the ice cream is not to taste, but to photograph and post on social media. Lewis Road is also inspired by this, and believe pop-up stores could play a key part in their launch phase.

The awareness accumulated through these pop-up stores and mass social media bombing led to its record setting sales on Singles' Day, with 50,000 pieces of ice cream sold in the first 40 minutes, total sales exceeding RMB4m on the day, and topping the Tmall ice cream category. The key driver for the success on the day was to launch a limited edition Ecuador pink diamond ice cream, retailing at 66RMB per piece. Only 20,000 of these were made, attracting over 100,000 fans to come into the stores to preorder, and sold out within 15 hours. Sales made online are delivered same day to the door, packed in a Styrofoam box with 2kg of dry ice inside to keep the temperature below -78 degrees celsius.

UHT or fresh milk?

UHT milk has been heated to a temperature higher than 135 degrees Celsius (275 degrees Fahrenheit) for more than 2 seconds. UHT treated milk is shelf-stable and does not need to be refrigerated. It also has a slight "cooked taste" that differentiates itself from fresh milk.

In New Zealand, the vast majority of milk sold is fresh milk and consumers can easily differentiate the taste between UHT treated and fresh milk. All Lewis Road milk (white and flavoured) currently sold in New Zealand is fresh.

In China, the vast majority of white milk sold is UHT treated. In recent years, fresh milk has been imported to China at a massive premium (typically around four times the price of imported UHT milk). So far fresh milk is only available in 1L bottle forms, and flavoured variants are not yet available in China. Fresh milk has a more premium image, and

consumers typically differentiate fresh and UHT milk by looking at the price, shelf-life and expiry date.

Logistically speaking, exporting fresh milk is incredibly complex and expensive as they have a short shelf life of up to 10 days and requires refrigerated transport throughout. Additionally, in China, most supermarkets refuse to stock products that are more than halfway through its shelf-life (i.e. 5 days). Going into China, should we choose to stick to fresh flavoured milk or export UHT flavoured milk instead? Going into UHT milk will largely simplify the logistics however may impact Lewis Road's ability to be marketed as a luxury product, instead, just another flavoured milk.

Skeptical consumers

Going into China, Lewis Road realises it has a reputation to build. In recent years due to various incidents of copycat products, consumers have become more skeptical about product source and ingredient lists. Police seized nearly 7500 bottles of counterfeit Moutai alcohol from Guizhou province in early 2018 despite Moutai implementing anti-counterfeit and tamper resistant technology on each bottle. Counterfeiters still get away with this by filling up recycled empty Moutai bottles and finding other ways to crack the technology. How can Lewis Road fully leverage the clean green image of New Zealand and reassure customers that the products they are buying is 100% safe and authentic?

Conclusion

The ultimate goal would be replicate the 2014 success of Lewis Road's chocolate milk and see the brand continued to be loved in China as it is loved in New Zealand. Lewis Road is looking for longevity and sustainability in any strategy over having an initial hype then being phased out. Lewis Road does not have the investment capability or resources available to replicate the marketing strategy of Zhong Xue Gao or other popular brands. What is the best way to use the limited budget to make the greatest impact in China? How do they ensure success is sustained and not just another fad that dies away? Any strategy will need to consider the potential risks, as it is hard to bounce back from failures for a small company with shallow pockets like Lewis Road.

As with any other successful brand launches, the key ingredient is an unbeatable story – what could that story be for Lewis Road in China? Would the products be positioned as nutritious dairy, indulgent treats, luxury experience products, or something else entirely? How can the company most effectively communicate this story to skeptical Chinese consumers who are overwhelmed with choice?

As part of the roll-out plan, Lewis Road would like to hear on:

- How can they build an engaged community/club that people desire to be a part of (Chinese Roadies)?
- Launch idea – recommendation of the best way to hit the streets of Shanghai with a shareable experience
- Social strategy and plan, and social content ideas
- Recommendation on influencer approach
- Recommendation on how to deliver "moments of delight" at every touchpoint

Selected news articles

Demand for choc-milk outstrips supply

2pm, Oct 16 2014, stuff.co.nz

A north Waikato milk producer has been churning out Lewis Road Creamery Fresh Chocolate Milk as fast as it can make it, but scarce supply has resulted in customers waiting at supermarkets to snap up fresh deliveries.

Lewis Road Creamery's Angela Weeks said a small team was working around the clock to make as much chocolate milk as it could, going through 3000 kilograms of Whittaker's five roll refined creamy milk chocolate and 24,000 litres of milk a week.

Havelock North New World owner-operator Richard Lucas said the supermarket received 90 bottles this morning.

Lucas had heard Lewis Road Creamery producer, Mangatawhiri artisan dairy company Green Valley Dairies, was preparing to release another flavoured milk, but details were secret.

Because the supermarket was an early stockist of Lewis Road products it was given priority for fresh deliveries, he said.

"We've been lucky because we were the first in Hawke's Bay to stock their milk," Lucas said.

"We were fortunate enough to have priority in getting stock."

The chocolate milk was one of the fastest-selling new products he had seen for a long time.

"It has been a phenomenon," he said.

The store was selling 300-millilitre bottles for \$3.59 and 750ml bottles for \$6.29.

A statement posted on Lewis Road Creamery's Facebook page yesterday said the company was overwhelmed by the response to its chocolate milk.

"We had no idea demand would be so great," it said.

"However, we are not a big corporate with endless machinery and deep pockets."

Lewis Road Creamery was a small, independent New Zealand company that was just finding its feet, it said.

"Our equipment is running at full capacity and we are working around the clock to produce as much chocolate milk as we can."

It hoped to be able to source additional equipment to increase supply, but that would take time.

The Facebook statement, which received more than 4000 "likes" and nearly 450 comments, said the chocolate milk was here to stay.

A list of stores that received deliveries is posted on its website.

Pak 'n Save Pukekohe chilled-foods manager Leonie Kinghan said the store's first delivery on Saturday sold out within an hour.

After many customer requests, a sign went up to notify customers that the next delivery would be on Tuesday.

"Two people turned up at 9am to wait for it," Kinghan said.

"We waited until 9.50am to put it out because I'd told people it would be in at 10am and I didn't want to disappoint.

"Once we put it out on the shelf it was gone by 11am."

New World Waiuku chilled and frozen-foods manager Gordon Thornton said he was amazed by the popularity of the chocolate milk.

"In nine years working here I've never seen a product get this much hype and public awareness," he said.

"Halfway through last week we got a delivery and then ran out, so we got 15 more boxes delivered on Saturday and then ran out that day."

Thornton said customers were buying up to six bottles at a time.

One person who managed to get their hands on some had listed two bottles on Trade Me.

Bidding was at \$1.50 a bottle this morning.



Lewis Road Boss Accuses Fonterra Of 'Greedy' Deal

9pm, Dec 12 2016, nzherald.co.nz

Lewis Road Creamery founder Peter Cullinane is accusing Fonterra of negotiating a "greedy" deal with supermarkets which would limit the ability of smaller dairy brands to get space in the chiller.

In an open letter to Fonterra chief executive Theo Spierings, Cullinane questions whether Fonterra is playing fair.

He said he understood that "Fonterra is looking to use its market power to introduce an exclusionary deal with supermarkets in the North Island that would all but remove non-Fonterra brands".

The deal would give Fonterra's white milk brands 95 per cent of the chiller space, he says.

Cullinane noted that the domestic market represents just a fraction of Fonterra's \$20 billion business and calls on Spierings to be "supportive of the little guys" and not to crush innovation in the New Zealand market.

Leon Clement, managing director Fonterra Brands New Zealand, said: "Fonterra agrees that all Kiwis want to see fair play and have plenty of choices in the milk chiller. New Zealand consumers have, and will continue to have, a wide variety of choices when it comes to fresh dairy."

Fonterra was making significant investment in growing the premium milk segment to encourage more New Zealanders to enjoy premium milk, Clement said.

"Competition, including in the premium category, is critical to the success of the New Zealand dairy industry. It promotes efficiencies and innovative new products to meet public demand."

Cullinane also raised concerns about packaging similarities between Lewis Road Creamery products and new Fonterra brand products "which is likely to confuse shoppers".

"Surely anything more than four out of five bottles for Fonterra is greedy? Especially when it stifles the efforts of our progressive farmers and innovators? Is that fair play by kiwi standards?"

Yesterday a representative for the Countdown supermarket chain said it was not involved in any deal with Fonterra.

"Countdown does not have any deal with Fonterra of this nature, and would not enter into any agreement like this," said Countdown general manager merchandise, Chris Fisher. "We treat all of our suppliers fairly and shelf space is determined based on the merit and popularity of each product," Fisher said.

A spokesperson for Foodstuffs North Island said the company had "an agreement in place with Fonterra, as we do with other suppliers including Lewis Road Creamery, to supply a range of dairy products, the terms of our supplier agreements are confidential".

"The issue here seems to be a competitive one between Lewis Road Creamery and Fonterra in the premium milk market," the spokesperson said in a statement.

Cullinane is a former advertising industry executive and a director on the board of NZME, which owns the New Zealand Herald.

Lewis Road pulls breakfast drinks due to misleading sugar label

11am, Feb 8 2018, stuff.co.nz

The New Zealand dairy producer revealed on Wednesday night that labels on the chocolate and vanilla flavoured Breakfast Drink released last week understated how much sugar was in the "wholesome" drinks.

The labels only stated added sugars, and didn't include sugar already present in milk.

The label on the Lewis Road vanilla breakfast drink says it has 3.1 grams of sugar per 100ml, but the real figure is more than 8 grams.

The drinks were being independently tested to get the true sugar content, but at this stage the company said it looked like the sugar content in the chocolate flavour was about 6 grams higher per 100ml than the label said.

For the vanilla flavour, it was about 5.5 grams higher than the current label which said 3.1 grams per 100ml.

Company founder Peter Cullinane said the product would be pulled from sale until more testing was done and, if needed, "further refinements" made.

The breakfast drinks were launched with a five star health rating. Cullinane said he believed that was based on the correct sugar figures.

"But that again is something we are looking at because the five star rating is a calculation based on the energy levels and the nutrients and saturated fats and everything else. So part of our testing is to make sure we have that right."

So it may or may not continue as a five star health rated product.

Cullinane said no heads would roll for the mistake. But "heads might have thinned a bit" as they thought about how it happened.

He said Lewis Road had taken "third party advice on preparing the nutritional panel" for the new breakfast drinks.

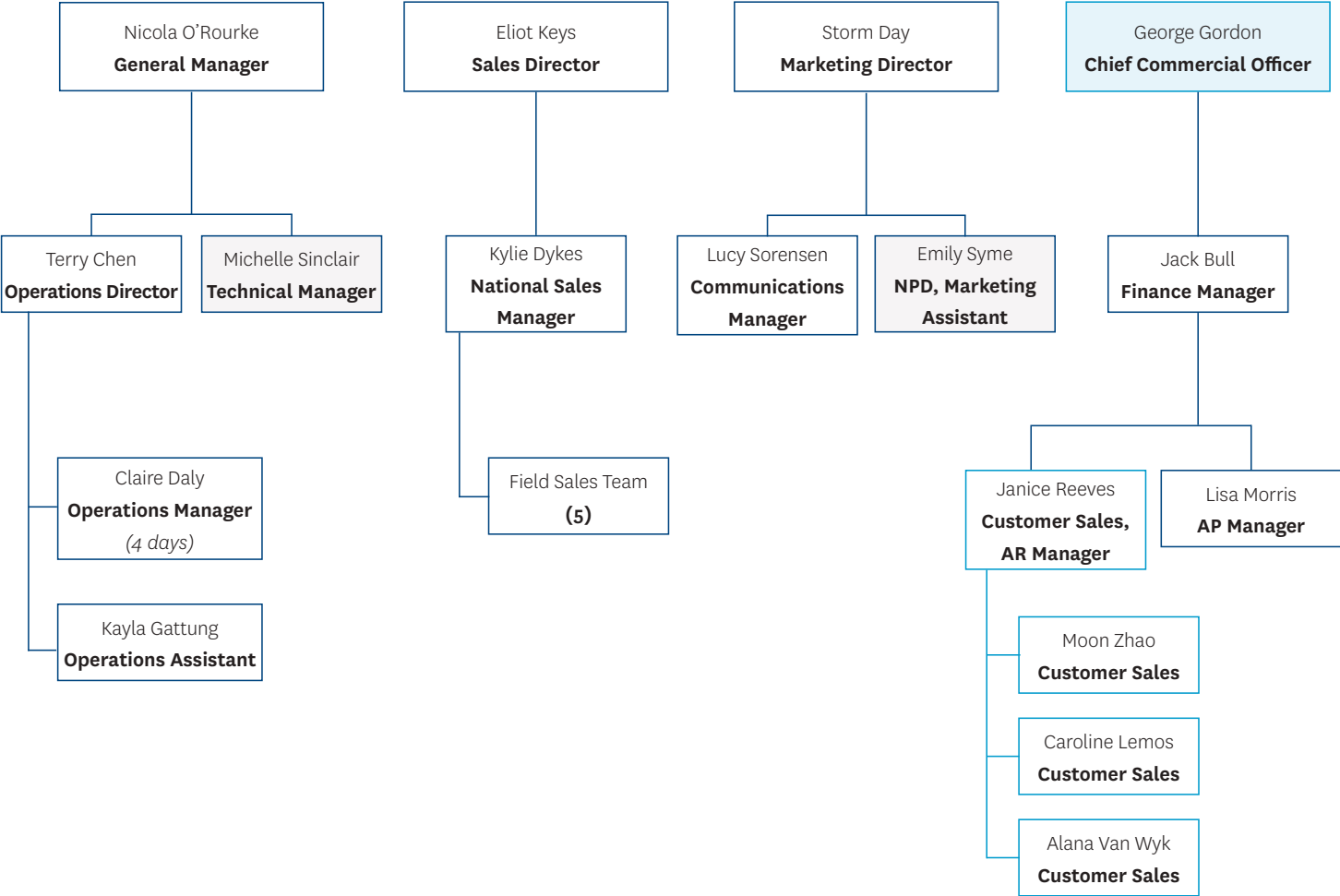
"With all our other products we include all the sugars as one, but in this one we had broken out the added sugars and I think why it happened was we started out with ambition of creating a dairy based breakfast drink with minimum added sugar, so our focus has always been on minimum added sugar. Where we tripped is that while that's the focus, we should have included both types of sugar."

He said it would cost Lewis Road a lot of money but didn't know how much.

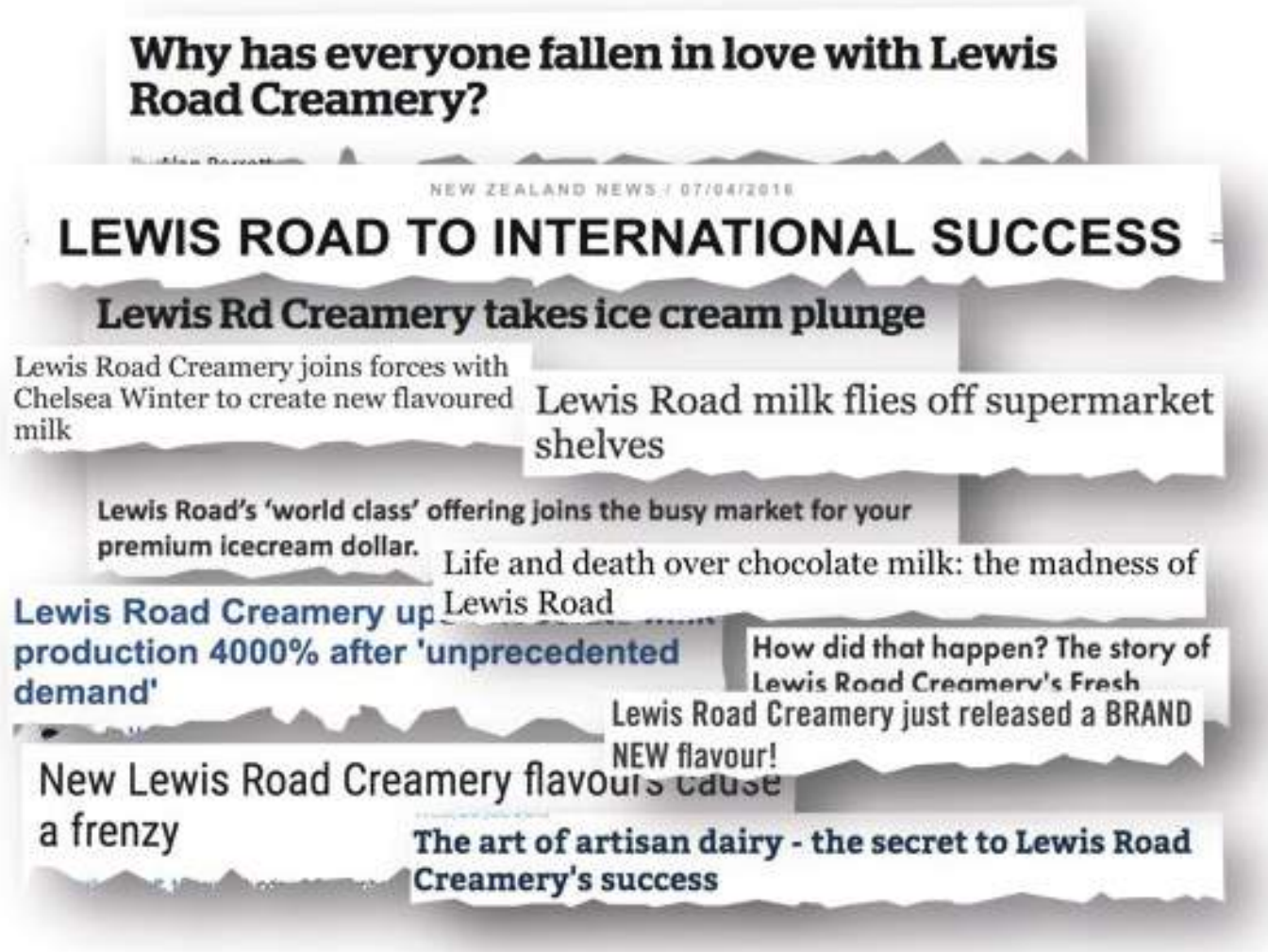
Appendices



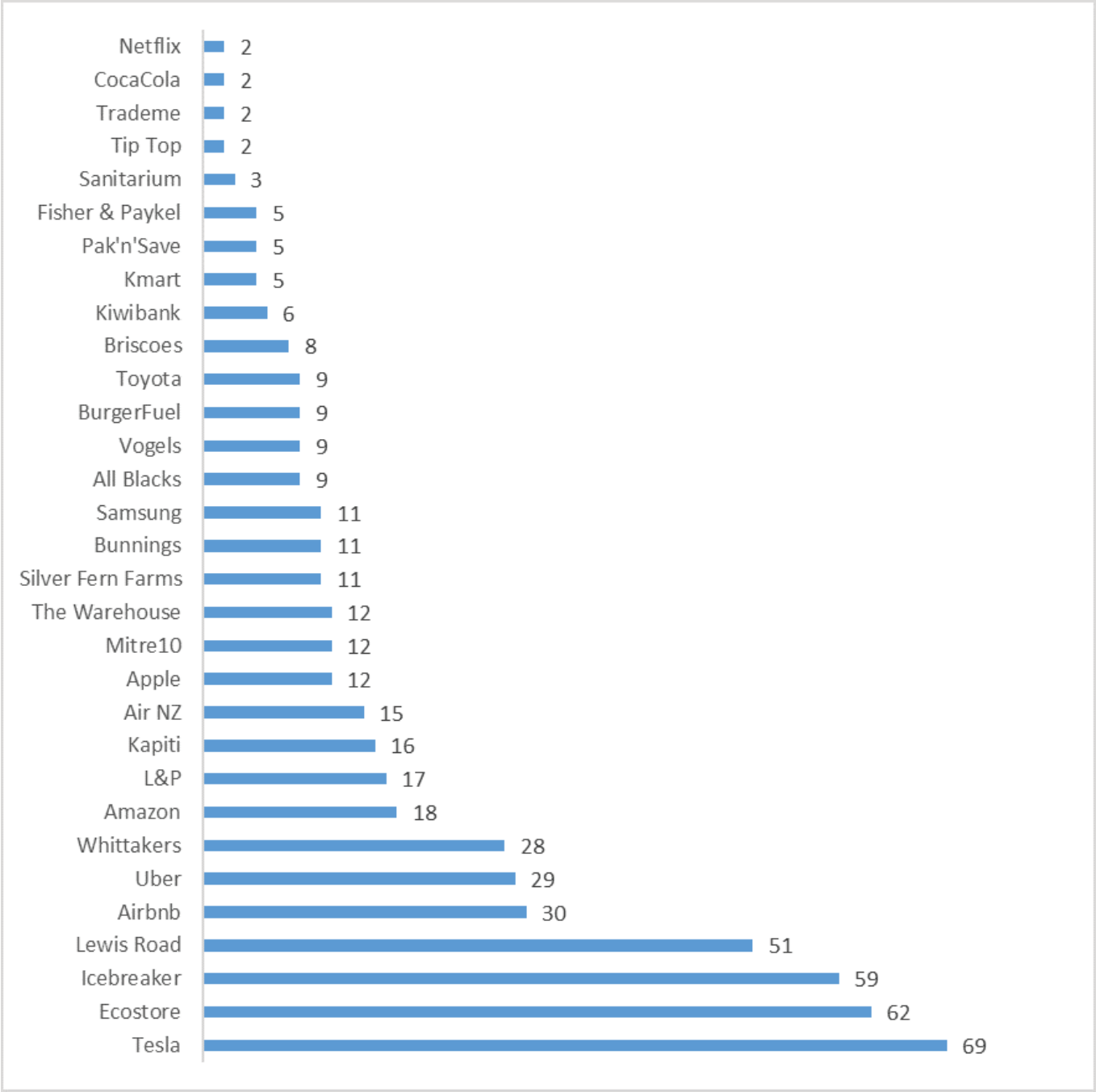
Appendix 1: Org chart



Appendix 3: Selected headlines



Appendix 4: 2018 New Zealand's Most Authentic Brand



Appendix 5: Imported milk packaging overview

UHT standard



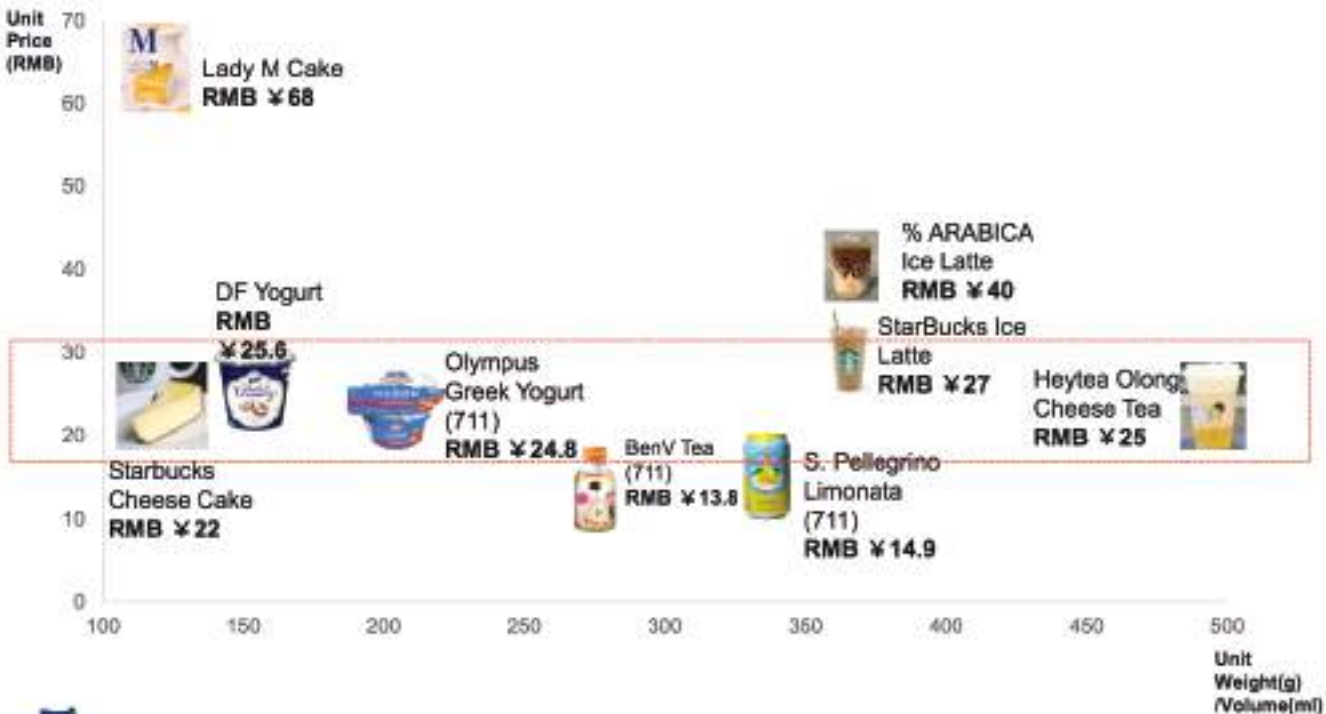
UHT organic



Fresh standard



Appendix 6: Premium treat pricing

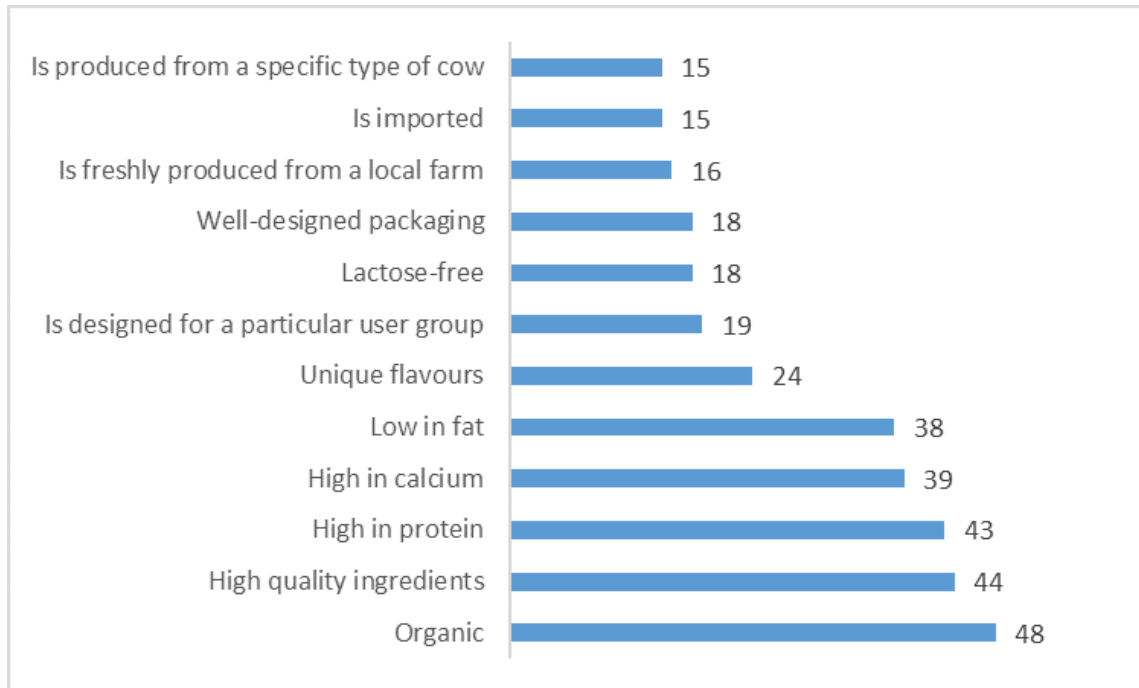


Appendix 6: Purpose

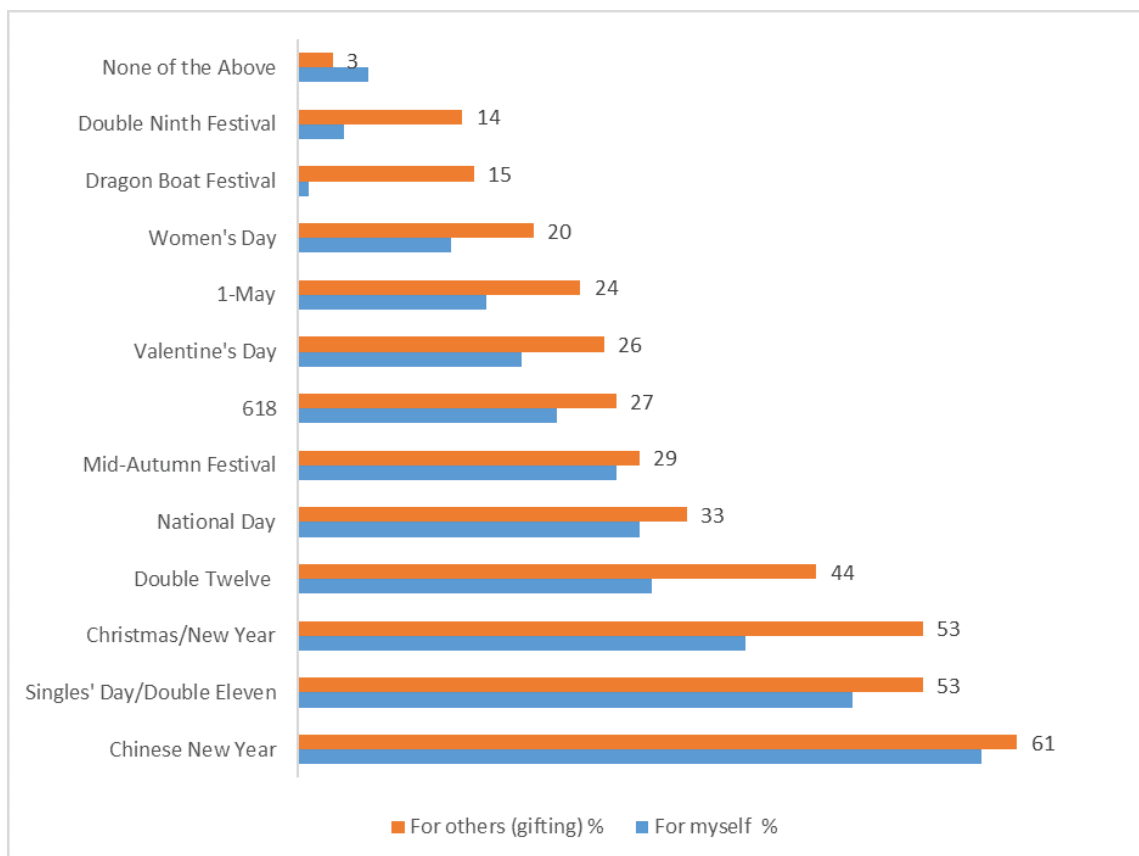
Promise	Lewis Road brings you world class products, born of New Zealand and made from the very best quality ingredients, so you can experience moments of pure charm.
Character	Insanely passionate. Pure perfectionists. Fiercely persistent. Always loyal. Pioneering. Kaitiaki (the guardianship and deep love of this place we call home and a spirit of generosity)
Values	Quality over quantity. Honest. Authentic. Respectful of – the land, the animals, the craft, our people, our customers and our stores.
Consumer	‘Milk is more than just milk. I want to feel inspired by the products I choose.’
Purpose	Creating moments of pure delight that inspire and enrich
Goal	Charm our way into every home
Consumer outtake	‘Only Lewis Road could do that!’

Appendix 8: Chinese consumer surveys

“Which of the following features, if any, would encourage you to pay more for milk or flavoured milk?”



“On which of the following festivals, if any, have you specifically bought something for yourself or others (as gifts) in the last 12 months?”





CHAMPIONS TROPHY
Case Competition



BUSINESS SCHOOL