

Dairy Queen

International Marketing Plan



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Introduction

As of today, New Zealand is the second largest ice cream consumer in the world, following the United States. Given this fact, our group has chosen to introduce Dairy Queen soft serve ice cream into a market that is currently saturated with the old fashioned scoop and bucket ice cream parlors. We will assume that we are the team chosen by Dairy Queen's top management to research and analyze different strategies for the introduction into New Zealand's food market. Within this report, we will focus on the important research characteristics when entering a new market, such as country outlook, industry outlook, and the brand/product marketing strategy.

Country Outlook

Demographics

When entering New Zealand, Dairy Queen needs to evaluate all aspects of the country's market in terms of population growth and age, economy, politics, legal issues, cultural, and social factors. New Zealand has very accurate information regarding its population and market size. There are about 4.14 million people in New Zealand, and that population is expected to grow by one person every 14 minutes. However, the population is expected to age resulting in more of an older population. The median age is expected to grow from 39.5 years to 43 years. Twenty one percent of the population is under the age of 15 years old. For Dairy Queen, this means that it must market to a very aging population.

Economy and Economic Trends

New Zealanders have an average hourly earning rate of NZ\$20.04 per hour. This is quite comparable to earning rates in the United States. Currently the NZ\$ is worth

slightly more than the US\$: \$1 = NZ\$1.36. Economic activity has been increasing, service industries have been increasing, and household consumption expenditures are also increasing. These facts are a very good thing for Dairy Queen. With more spending power, the population is more open to putting their money towards more wants than needs. It is estimated that 16% of most household budgets are spent on food.

Political and Legal Environments

Recently, New Zealanders have been showing a trend towards more conservative viewpoints. The political structure of New Zealand is a parliamentary democracy with a Head of State and Prime Minister (New Zealand Trade Centre). Their democratic structure was modeled after the United States (New Zealand Trade Centre). They also tend to have a high degree of political stability which will make the entrance to the New Zealand market much smoother for Dairy Queen.

Another point that will help Dairy Queen is New Zealand's import regulations. There are low tariff rates on imports and no import licensing is needed (New Zealand Trade Centre). New Zealand also has one of the most efficient and cost effective transportation structure in the world with shipping and air links to all parts of the world (New Zealand Trade Centre). Aside from the transportation advantages of entering New Zealand, it also has very well developed communications systems (New Zealand Trade Centre).

One major factor that Dairy Queen must take into consideration is the Interim Code of Practice for ice cream (The NZ Ice Cream Industry). This code of practice must be followed to manage food safety. There are also some cultural and social factors that can be positive for Dairy Queen to enter into the New Zealand market. New Zealand

consumers are known to love dairy products, but know them very well, so Dairy Queen must have top of the line ice cream (The NZ Ice Cream Industry). New Zealanders are the highest per capita consumers of ice cream and have more improved attitudes towards business in New Zealand. They have a very competitive and innovative ice cream market with high quality dairy products.

Culture and Social Aspects

Some social trends popping up in the area are concerns with product quality (The Measurement of Social Capital in New Zealand). They also respond well to price deals because they monitor prices regularly. Many consumers have become more nutritionally conscious but also like to have convenient foods (The Measurement of Social Capital in New Zealand). Dairy Queen can really try to play on these trends by having convenient foods and find more nutritionally sound ways to provide fast food.

Industry Outlook

When entering the ice cream industry in New Zealand, it is important to consider the country's prestigious dairy industry. New Zealand is known for its high quality dairy products which are a result of its high hygiene standards and technological processes, as well as its optimal conditions for producing quality dairy products year-round. (New Zealand Ice Cream Industry) Considering this is an important aspect of analyzing the current market situation in addition to planning the market entry.

Growth Rates/Long Term Prospects

The existing ice cream market in New Zealand looks to be a great opportunity for Dairy Queen. Currently the consumption of ice cream in New Zealand is among the highest worldwide, with its occupants consuming approximately 23 liters per year.

Depending on the source, it is considered the highest consumer, or else it comes in second behind the United States (along with Australia, these three countries lead the world). (New Zealand Ice Cream Industry) Along with New Zealand's heavy consumption of ice cream, the statistics relating to growth also prove advantageous for Dairy Queen when entering the market. Among the food service industry in New Zealand, ice cream parlors and vendors make up 5.9% of the annual market share and sales were NZ\$254 million in 2006. (2006 Restaurant Industry Forecast) Growth is expected to continue throughout the ice cream industry, as the rate for the past 5 years has been approximately 2.1% per year. (Ice Cream in New Zealand until 2011)

Along with this, the food service industry in New Zealand is expected to grow by almost 5% per year. The restaurant or food service industry has already experienced a boost and is expected to continue to grow as a result of a booming economy, the increase in immigration, and the increase in consumer's disposable incomes. (2006 Restaurant Industry Forecast) The foodservice market was also able to expand as a result of its repositioning into healthier menus, improving its selling environment, which was necessary to remain competitive, and a booming property market which made New Zealanders feel wealthier. (Vinita Sharma) While the outlook of the industry seems optimistic, there are a few challenges that may hinder the overall growth of Dairy Queen in New Zealand (**Refer to Table 1 in the appendix**). The inflation of energy costs, food costs, rent, and the growth in wages are all issues that affect the operations of a food service business.

Because the inhabitants of New Zealand are heavy consumers of ice cream, the shops, stores, stands, etc that provide the frozen products are heavily prevalent in the

culture. The majority of ice cream is sold via parlors, restaurants, and other retail scoop methods, such as portable stands. Even though consumers in New Zealand are becoming more health conscious, studies have shown that eating out continues to be a part of their lifestyle, therefore the amount of ice cream eaten may not decrease; however, the kind of ice cream consumed might.

Channels/Distribution

Entering the market in Zealand may be seen as favorable due to the minimum number of barriers to trade; which include low tariffs. However, since New Zealand is prided with its ice cream manufacturing, the distribution channels are very established; possibly “locked-up.” New Zealand does not import much of its food, only 23% as compared to the United States which imports about 45%; therefore it relies heavily on its own production as well as Australia. New market enterers will face the challenge of competing with New Zealand’s domestic components immediately when attempting to engage in the market. We will attempt to deal with this by applying our knowledge of the industry and through the marketing plan that we intend to implement.

Nature of Competition

When researching the industry outlook, we looked at what Dairy Queen’s competitors would include. There are four main ice cream companies that we feel will be in direct competition with our product. Each company contains individual strengths and weaknesses attaining to its service or products. The four we researched are Deep South Ltd, Ginellis Company, New Zealand Natural Ice Cream, and Kiwi Stone Ice Cream.

Deep South Ltd is a family owned and operated ice cream shop. It currently has three factories in New Zealand and manufactures a full range of retail parlor and specialty

ice cream flavors in a variety of sizes. They can develop customized flavors to suit individual customer tastes. They sell a variety of ice cream products such as cones, shakes, cakes, tin whistles, soda mixes, and many others. They have won many awards this year already for two best in category, including four gold and four silver medals.

(Deep South Ltd.)

Ginellis Company is also an award winning ice cream retailer. It is a premium product portraying a very prestigious image, which can be proved by the many gold and silver medals it has received in recent years. Ginellis also personally customizes their products to fit their consumer's wants and needs. A new flavor can be made in little time while not sacrificing the quality of the ice cream. One weakness that they may possess is that they are more sophisticated and target to the upper middle to upper income classes so they miss out on the business of most average income consumers. They also focus a lot of their business on selling to other business facilities and not as much on individual consumers. (Ginelli's Premium Ice Cream)

New Zealand Natural Ice Cream has scooped ice cream, is constantly offering new flavors and improving current flavors, and has won numerous awards from the New Zealand Ice Cream Manufacturer's Association. One of their successful marketing tactics being used is the idea of attracting customers with colorful store designs and imagery. They also have gluten free ice cream with the exception of add-ins in four flavors. We could not determine any major weaknesses that this company faces. (New Zealand Natural Ice Cream)

Kiwi Stone Ice Cream differentiates itself from many other ice cream parlors in New Zealand by serving "smooth and creamy", not hard packed or soft serve ice cream.

It makes its ice cream fresh daily and has the unique process of mixing each personalized ice cream product on a granite stone; customizing it to every customer. A particular weakness is that they believe this is a brand new idea and claims to have a unique process of preparing the ice cream for each individual. However, they currently operate using the same ideas and strategies as Cold Stone Creamery, which has been operating in the United States for over twenty years. (Kiwi Ice Cream Company Limited)

Brand/Company Marketing Strategy

Entry Strategy

To enter the New Zealand market, Dairy Queen must have an entry strategy that works well for the company. Dairy Queen's current business plan is arranged as a franchise. A franchise is a form of licensing where the licensor makes their product or service available to the licensee for a fee or royalty. Entering a foreign market using a franchise strategy is less capital intensive. Franchising allows for the removal of most trade barriers and mostly consists of small initial investments.

Franchising has its downside as well. There is a lack of control for the licensor, the licensee can become a competitor of the licensor, and the licensee usually has less of an understanding of the industry. Since franchising works so well for Dairy Queen already, we believe they should stick with their franchising arrangement. This entry method removes trade barriers, reduces business risk, and decreases the initial investment, which increases their return on investment (ROI). Entering the market as a franchise will allow Dairy Queen to reap the advantages of the franchisee's expertise of the local market.

Market Coverage Strategy

We believe that Dairy Queen should start small and plan for the future. It would be too great of a risk to enter New Zealand and cover the whole market. Dairy Queen would be making a safe business move by entering only certain segments until they are sure that they can gain more market share. We believe that the best segments to target are the urban areas such as Auckland or Christchurch. Within these areas we will find our target market, consisting of consumers that are more adaptable and open to change. Since these are larger urban areas, one advantage will be the steady inflow and traffic of tourists that want to get a 'taste' of New Zealand ice cream. Our target market will also focus more on families, social gatherings, and the recent increase of health conscious consumers.

Product

Introducing Dairy Queen's soft serve ice cream into a country that has a distinguished and well established dairy, as well as ice cream, industry will need to be carefully planned, and its strengths will need to be emphasized. Improving the product served by Dairy Queen's existing franchises is seen as necessary in order to attract consumers. Dairy Queen's brand image will want to portray a sophisticated and differentiated product in New Zealand that will be seen as a necessary ingredient in maintaining their social image.

The first step is ensuring that the ice cream served is of high quality. New Zealand prides itself on its superb dairy industry and is a large producer, as well as a consumer, of ice cream. Also, the soft serve ice cream is not as common in the existing market in New Zealand in contrast to the harder scooped ice cream, and it is only served

in one flavor, vanilla, compared to the multitude of flavors with scooped ice cream. Therefore, Dairy Queen should attempt to introduce multiple flavors of the soft serve. New Zealanders have a preference for a flavor called “Hokey Pokey,” which is a toffee flavor. By offering this flavor, the consumers may be more willing to purchase ice cream in the locations it is offered.

An additional factor that will differentiate Dairy Queen from its competitors will be the availability of various flavors of ice cream cakes, as well as individual frozen treats (Refer to Figure 3 and 4 in the Appendix). Consumers will have the ability to customize each cake to fit individual’s special occasions or social gatherings, such as a birthdays, anniversaries, or graduation parties. Frozen treats can be grabbed for on-the-go consumers or as a fun treat to children at parties, after sporting activities, or social gatherings with friends.

Another issue that the new franchise could approach is to offer low fat ice cream and frozen yogurt to cater to the rising health conscious public. Several of its competitors are also doing the same, so as to provide another option for the public. Another issue would be to decrease the serving sizes. The present sizes used in the United States are very large, even for heavy consumers of ice cream, and offering smaller sizes may also entice the consumers who wish to eat healthier.

In order to be competitive within the ice cream market, we feel that Dairy Queen will need to put a lot of creative time and energy into the design and essence of the parlor. Current New Zealand ice cream parlors put a lot of emphasis on the design and color scheme; using bright and festive colors to portray how fun and exciting ice cream can be. The structure and essence of the parlors are of the highest quality due to ice

cream's intense reputation in New Zealand. In the United States, Dairy Queen does not usually leave an image in the consumer's mind of a contemporary, exciting, stylish, or popular establishment to gather with friends and family. Many United States Dairy Queen's are currently remodeling to look more sophisticated and upbeat (Refer to Figure 2 in the Appendix).

The last issue with the products to be offered by Dairy Queen in New Zealand involves the food. The initial entry into the market is going to focus on the ice cream, however sandwiches, fries, and other assorted fast food products will be offered. Depending on the success of the food, Dairy Queen hopes to improve the volume of food consumed and give it a higher status in their operational strategy.

Channels

Dairy Queen wishes to enter into the food industry and use a strategy similar to the main competitors already existing. The franchise will not only operate a restaurant or actual building but also wants to open smaller locations in malls for example and other public places to attract the urban crowd that are out and about in the cities. Initially it will also try a version of a modified street vending location. Competitors offering scoops of ice cream are currently using this method to appeal to the consumers, and since New Zealand is one of the top consumers of ice cream, having it more readily available seems to work.

Price

When entering Dairy Queen into New Zealand, we plan to use the same pricing strategy that is used in the United States. Various sizes will be priced accordingly. Our product will be priced below other competitors in the industry of New Zealand for one

main reason. Since New Zealand has such a strong history in the dairy industry, we feel that customers would be more hesitant to try new products if they were priced equally or above that of their current producers. Therefore, in order to gain market share we think that it is necessary to price our products slightly below competition.

Our sizes will be relatively equal to other competitors but we plan to follow the same price range as Dairy Queen uses in the United States. According to our research, prices will still be slightly lower than competitors, but will be high enough to maintain our brand image. We will also offer discounts or coupons upon establishment to entice consumers to try the new products (Refer to Figure 1 in the Appendix). Dairy Queen will provide New Zealanders with characteristics that other ice cream parlors do not. For instance, Dairy Queen will have a drive thru which offers convenience, as well as providing soft serve ice cream, rather than ice cream by the scoop. We feel that once consumers are aware of these aspects they may be more likely to try our product.

Promotion

As far as promotion goes, we plan on the majority of our advertising being on billboards or associated with transportation systems. Many large companies advertise on busses, on taxis, bus stops, or even at train stations. We feel that this will be the best way to target and attract the largest number of consumers within our target market. The message we want to relay through our advertising is that our product conveys a fun experience with friends or family while experiencing a taste incomparable to others.

An additional advertising media that would be beneficial and necessary to compete within the ice cream market would be television commercials. Research shows that New Zealand is recognized as one of the top leaders in producing quality commercial

ads. These ads are seen as an essential aspect of each competitor's marketing plan in order to gain ground in market share, as well as in consumer's minds. Since Dairy Queen will be entering into a new market, we feel that we need an advertising media that will jump out in consumer's mind and attract them to our store over their current ice cream parlor. We will offer discounts, coupons, and promotions in order to keep current customers as well as new, but only after we have our established target consumers satisfied.

As discussed in the pricing sections, we will also use coupons and discounts to promote our products. We believe that coupons will encourage first time customers to try the product because it will be affordable. Then, we believe once they try it, they will be drawn back to the uniqueness of soft serve, and they will become repeat customers.

Sales and Market Share Projections

When Dairy Queen enters into the New Zealand ice cream market, it will have many strong competitors to compete with. Since New Zealand consumers are second in ice cream consumption behind the United States, they will probably have a preference of the type of environment and flavors they like. With this said, Dairy Queen will have to differentiate itself from other parlors to try and gain market share. We believe that within the first year or two running in New Zealand, the Dairy Queen franchise will have a market share in the mid single digits. The Dairy Queen franchise has been seeing steady growth of market sales in the United States and around the world of about 11% this year of approximately one billion dollars in net earnings (Smith).

Since the United States is the leading consumer of ice cream, and through our industry research, we believe Dairy Queen will compete in a similar environment in New

Zealand as here. We do expect the market share and net earnings to grow steadily once it becomes more established and consumers are aware of what it has to offer.

Budget Projections

Since we will be bringing in a new product that very few people know about in New Zealand, and there will be high competition, we will need to allocate our money in our budget carefully. We will have to spend a considerable amount to build the restaurant and make it look fun and exciting to attract consumers upon opening. The next allocation of resources will go towards advertising and promotions for the new products. A new store opening in Canada that wanted to focus on attracting their target market and grow in sales decided to increase their ad budget by almost 10% to more than \$12 million this year (Strauss). Of course we will need to apply resources to general upkeep, the cost of the ingredients and food/drink, and wages to employees. In general, we hope to have our income/revenue be greater than our expenses, as mentioned above. However, in the first year or two of building and operating a franchise in a new country, we know that it may be difficult to achieve this goal.

Timetable for the Project

Our projections are looking at the first one or two years of operation of Dairy Queen in New Zealand. There is not a guarantee that the restaurant would survive due to the great competition within the ice cream market, but with its success in approximately six thousand locations in the United States and 22 foreign countries, we have great expectations for survival in New Zealand (Strauss). With its similar industry, interests, and tastes, we feel that Dairy Queen will fit right in and acquire many consumers looking for something new and exciting.

Conclusion

In conclusion, through our research on New Zealand's country outlook, industry outlook, and market strategy, our team feels that Dairy Queen would be a successful competitor within the ice cream industry. In order to introduce Dairy Queen into the New Zealand ice cream market, Dairy Queen should

1. Define Dairy Queen's entry strategy into the ice cream market in New Zealand.

The current business plan is to enter as a franchise. There are many benefits to this approach, but there are some limitations as well.

- A form of licensing where the licensor makes their product or service available to the licensee for a fee or royalty
- Entering a foreign market using franchising is less capital intensive
- Allows for the removal of most trade barriers
- Lack of control for the licensor, the licensee can become a competitor of the licensor, and the licensee usually has less of an understanding of the industry

2. Implement the Marketing Coverage Strategy. This will pertain to the details with respect to the four P's (Product, Place, Price, and Promotion).

- **Product:** Improve the quality of ice cream, provide extra benefits such as ice cream cakes and individual ice cream snacks, and create a low fat yogurt or ice cream
- **Place:** Individual restaurants as well as smaller locations in urban areas to draw consumers
- **Price:** Our prices will be slightly lower than our competitors but will be similar to those in the U.S. The sizes will also be similar to the U.S. also.
- **Promotion:** Our main advertising media will be billboards, transportation, television, discounts, and coupons. We want to portray a message conveying a fun experience with friends/family.

3. Discuss future projections of Dairy Queen in New Zealand. Dairy Queen should realize that the first couple of years will be hard to gain a huge profit. The main goal will be to get consumers to try our brand instead of the competitors. We will discuss what we believe Dairy Queen's market will include in the future.

- **Sales and market share projections-**Within the first year or two, will have a market share in the single digits. We believe it will show steady growth as the number of years increase.
- **Budget projections-**We would like our profits to exceed our spending but know it is difficult to gain a substantial amount of profit within the first couple of years due to advertising/operational expense.
- **Timetable for the project-** There is no guarantee of how long Dairy Queen would last in the market but we are calculating our projections with one to two years in mind.

We plan to compete through various media outlets to draw consumers to Dairy Queen's exceptional and quality taste of ice cream products. We also feel that Dairy Queen's goals and strategies will help provide them with the necessary measures to achieve successful operations against competitors in the New Zealand ice cream market.

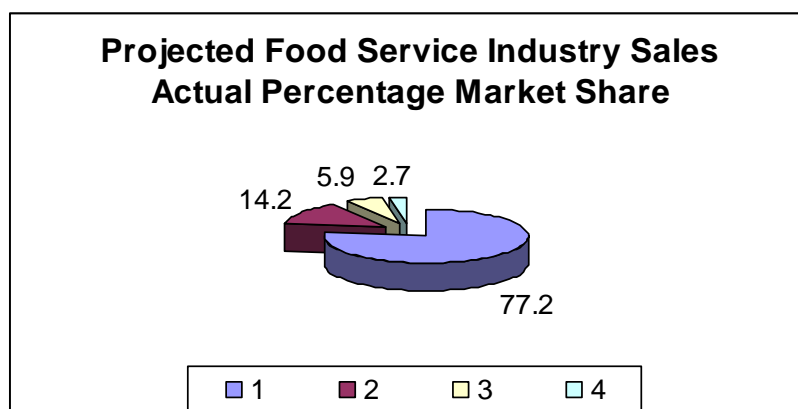
Appendix

Table 1

New Zealand Marketplace Receptive to U.S. Foods	
Advantages	Challenges
Familiar business environment-language, communication, and customs	Trade agreement that eliminates tariffs on Australian products
Minimum barrier to trade, including low tariffs	Strict sanitary and pyhtosanitary regulations for meats and fresh produce
Strong New Zealand dollar encourages consumers to select U.S. foods	Intense competition from domestic and Australian products
Relatively high disposable income per capita, coupled with growing interest in international cuisine	About 23 percent of New Zealand food expenditure spent on food away from home, compared to 45 percent in the United States and 40 percent in Canada and 27 percent in the United Kingdom

* “Take-Away Trendy in New Zealand” Vinita Sharma

Graph 1



- 1 Restaurants and Cafes (77.2%)
- 2 Fish and Chips, Ethnic Foods, Chicken & Hamburger Takeouts (14.2%)
- 3 Lunch Bars and Ice Cream Parlors (5.9%)
- 4 Pizza Takeaways (2.7%)

Figure 1



* Example of a Dairy Queen coupon that we feel would be good to use to attract customers in New Zealand.

Figure 2



*Example of a newly remodeled Dairy Queen that we would model in New Zealand.

Figure 3



* Here are the types of cakes that Dairy Queen would be able to customize for every customer's special occasions.

Figure 4



*Here are some examples of treats that customers can purchase for an on-the-go-treat.

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