Growth Strategy for Indomie Noodles in Nigeria

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1. Introduction

In 1988, the managing director of Tolarem Group Africa first introduced an affordable, convenient and quality quick-meal – the Indomie Instant Noodles. Today Nigeria is responsible for the highest consumption level of noodles, pasta and rice compared to the other countries in Africa, therefore they quickly became the market leader of the noodle category in the diverse-cultural Nigeria. Lately Dufil has experienced various types of challenges for the Indomie Noodle Brand, mainly concerning the existing competitors which has lead to a lost of 24% of market share.

2. Situation Analysis

The situation analysis will answer the question of why the Indomie Noodles has lost market share in Nigeria. Let us first try to understand why Indomie Noodles has lost 24% market share between 2010 and 2015, even though the revenue has increased by approximately 67 per cent.

The main reason to a decrease in market share in Nigeria is the entry of new competitors which started in 2015, with similar brand attributes as Indomie, such as convenience, quality and taste. Today there are total 16 other noodle brands in the market all competing with Indomie, offering a lower price, giving themselves a price advantage comparing to the medium/premium price level of Indomies products. The before mentioned competitors has also established local strongholds on markets in specific regions, outcompeting with Indomie Noodles. Some of the competitors strengthened their position in the eastern Nigerian market, and some only focused on the northern Nigerian market. Many of the competitors also started to target a similar segment as Indomie, the mother and child segment.

We can conclude by stating that the noodle market in Nigeria has expanded rapidly over the last years and the market strategy of Indomie has not been able to adapt and grow with the market. The reasons for this are several as mention above, but it seems to be a lack of differentiation of various customer groups and addressing their respective needs. For example, the economic downturn in the country had not been addressed properly by introducing a product in the low cost segment. An additional explanation is that the company had not fully explored the potential of new channels of marketing but had instead relied too much of a traditional approach that had generated success in the past.
In order to understand Indomie Noodle Brand position in Nigeria, a SWOT analysis will be conducted.

(Note: due to the scope of the report, strengths, weaknesses, opportunities and threats will be mentioned more clearly later on in the report)

**Problem definition/ Challenges for Indomie Noodles**

Now that we have a broad view on why Indomie has lost market share, we can continue and propose a new strategy for growth for this product. There are three main questions that needs to be addressed in order to understand how Indomie can create a growth strategy for this product.

- How can Indomie Noodles Brand increase their brand loyalty?
- How can they increase their competitive advantage? Should they compete on price or differentiation?
- What is important to take into account to maintain an increasing market share position?

### 3. Understanding Consumer Behavior in Nigeria

One of the main issues has been built on the misinterpretation of the Nigerian market, approaching it as one whole country with similar characteristics and needs. However this is not the case and has lead the company in the wrong direction. Instead Nigeria is a cluster of regions within one nation with distinctive characteristics, needs and cultural representation.
In **Northern Nigeria** the grocery shopping is mainly done by the father in the household and the women enjoy cooking for a long time in the kitchen, because the practice of cooking reflects on womanhood and maternity. This does not go hand in hand with the concept of Indomie fast-food option. Thus, the consumption of noodles in general is very low per person in Northern Nigeria. Furthermore, a major characteristic of northern Nigeria is the habit of communal eating which emphasizes a different market approach than the one based solely on individual needs.

However, the consumption of noodles per person is not as high in the northern Nigeria as in the south. This also lets us to understand that one challenge for players in the fast noodle industry in Northern Nigeria, will be *how to increase the consumption level of noodles per individuals?* By other words, the case for this region is not primarily about increase market shares but instead to enhance the total market for noodles in comparison with other type of food alternatives.

A summary of the northern Nigerian habits and characteristics lets us understand the following i.e lower education level, a high degree of youth than other part of the country, the father in the family mostly make the purchase, less developed sense of social medial and more focus on radio and traditional media. And also, that price is the most significant factor when making a purchase decision.

In the **Southern/East/Central Nigeria** there are plenty of cultural differences. Research has shown that the consumer of Indomie belonged to the age brackets of 12 to 30 years. It was also shown that this age group actively used social media platforms such as Facebook, Twitter and Instagram. Thus, social media engagement was higher here than in the northern region. Proof of this was when Dufil involved the customer to name the big size pack of noodles – the “Belle Full” campaign lead to great success in this part of Nigeria. However, this success lead to a naive misjudgment of what type of promotion strategy might work in the Northern Nigeria.

4. **Strategy Development**

An S-T-P analysis will be conducted, in order to get a clear overview of how the Indomie Noodle market in Nigeria is constructed, and what segment is most attractive to target. This will also lead us on to the next section, where a marketing mix using the PPPP-approach will be used in order to develop a strategy for growth.

   a. **Segmentation**
It is crucial for the company to have a clear understanding of how the market looks like, in order to identify and understand possible differences. Due to the diverse cultural differences among the population of Nigeria, it is preferable to divide the market and identify segments that share the same characteristics, which will beneficial when it comes to positioning the brand. It is always important for the companies to go back and remind themselves of who the customers are and how to adjust their brand accordingly, which is highly relevant in the brand management process.

Nigeria’s population has been increasingly expeditiously in the last five decades, mostly because of high birth rates. The youth population is the most fast growing one, and as of recent studies the northern region has had a larger population and higher birth rate than the southern. Nigeria is divided into various regions, cultural characteristics such as taste and traditions is very different from region to region. It has been argued that Nigeria should not be seen as one country, but a cluster of regions within one nation with distinctive characteristics and needs. It is therefore important to empathize that the different regions require customized brand management. An additional differentiation has to be made between the adaptability of the digitalized world. There is a huge lack of social media engagement in the north comparing to the south, which will be crucial when deciding how Indomie Noodle should promote themselves in the different regions.

Let us first simplify and get a clear picture of the existing customer segment of Indomie Noodles today. Through what we know the existing customer base can be divided into two main geographic areas, Northern Nigeria and Southern/Central/East Nigeria. In this main areas we have to better understand different psychographic variables, where different sub-segments are active. Through this division it is possible to identify three-segments roughly determined by age.

- “Mother and Child Segment”
- “Father and Child Segment”
- “Youth Segment” 12-30 years, who were active, upwardly mobile and energetic

The selected segments all represent workers from middle class to working class. Commonly for all of them is the importance of the social and community feeling of eating together.

b. Targeting and Positioning

In order to optimize our marketing resources, I would recommend a stronger emphasis on the youth segment, in ages between 12-30 years old. Considering the fact that the youth segment is the fastest growing in Nigeria. The youth segment today, will also be the parenting segment of the future. With
a successful promotion strategy, new cuisine habits can hopefully be supported and underpinned, which in the future will lead to a higher demand for the product. From a sociodemographic point of view, we have the possibility to target working class to upper middle class, they do not necessarily need a high income in order to purchase the instant noodles which is today in the medium-pricing range.

The value proposition of Indomie Noodles, which is convenience, quality, fun and youthfulness also go well with creating a more attractive demand for the youth segment. It is important to state that Indomie Noodles has difficulty obtaining loyal customers because their customers today are a segment in a red-ocean with large competitors.

A more focused strategy needs to be developed, targeting the Youth Segment, with a clear value proposition in order to deliver an attractive product and obtain a competitive advantage. We therefore need to position the brand and empathize the benefits that the product offers – uniting family, colleagues and friends- making them feel as an integrated part of the community associated with values such as happiness, laughter and great taste. They could also emphasize this having a catch phrase used by Indomie in previous marketing activities: “Indomie Noodles – never eating alone”

5. Marketing Mix

a. Product

The product needs some adjustments in order help clarify the value proposition, especially to match this new youth segment. However, it is important to make sure that a new approach of the product does not affect the core values that has been built up over the course of many years. For example, despite success, the campaign “Belle Full” had lead to a more individualistic approach of the product. The advert targeted young, working-class men who ate alone. This is a great example of how easy it is to target the wrong segment without intention, especially if we are focusing on the northern regions of Nigeria who doesn’t appeal to this message. We can identify a problem that Indomie for too long has put a lot of efforts in developing new flavours of noodles (focus on what) rather than the habits surrounding the eating (focus on how).

The future more have to do with selling an experience, not just a product - In order to satisfy the needs of the youth segment, a possible implementing complementary products that matches the
value proposition of Indomie Noodles. According to Porter’s generic competitive strategies, the product should focus on a differentiation strategy, when narrowing the buyer segment. I therefore propose that product line should be complemented by an offer addressed to family and friends who eat together. This could be reinforced by a big wooden bowl which should be subsidized, if the customer buys more than more than a certain amount of noodles. This offer adapts and reinforces this behavior and promotes the nice feeling of eating in a big bowl together with company: “One big bowl of noodles, brings people together”. A group of people buying a Indomie Noodle pack each and mixing it together with boiling water in the big bowl, having a nice meal together. The offer of a hand-crafted cherry wooden bowl, helps to contribute to the original value proposition, convenience, quality, fun and youthfulness - empathizing youthfulness. As the company already have a strong distribution net, this campaign could be conducted more easily than other competitors ever could do. We thereby use the competitive edge of our distribution net to launch this campaign in the northern Nigeria.

**Differentiating the product** - The packaging of the noodle product should however always be displaying the joyful dining occasion, friends coming together getting some noodles after school or colleagues eating together at work- aiming towards the youth segment in group. The packaging should be yellow as it has always been, which is also the color of the sun, and is a symbol of joyfulness. A way of differentiating the package would be adding different slogans motivating the consumer to eat Indomie Noodles with company. An example of slogan could be, “Noodles taste best together” etc. This empathizes the companies true value proposition of quality and fun.

**b. Price**

One of the main value propositions of Indomie Noodles is quality, and in this case the quality of food is often perceived according to the price level. But because Noodles is a high competitive market we need to price it within the price range which is already in the market. Competitors of Indomies have chosen to set a lower price of their product and has therefore gained higher price advantage.

The pricing is a crucial part of the future growth strategy and my proposal based on a more differentiated approach is to introduce a range of “budget” products of noodle lower priced. This range would have a somewhat different packaging and will be branded “easy noodles”, with no flavours and aimed for the segment of the market with less means, that today are basing their buying decision solely on price. By doing this we will clearly win back the large group of customers that have chosen to buy from our competitors and caused us decline in market share. This product range
would be introduced in some specific parts of the southern of Nigeria as first step and thereafter evaluated. The challenge is to manage this approach without deteriorating the values in the higher priced segments.

The new pricing approach could also be incorporated in the deal of a wooden bowl in the northern Nigeria so that we don’t lose competitiveness. The “bowl campaign” could in this case be an advantage and perhaps a deal breaker in many ways.

c. Place
Customers needs to become excited with the idea of buying an joyful cuisine experience, rather than just buying a product. Which is why it is important for the retailers to sell the Indomie Noodles in a more enthusiastic way than usual. As mentioned earlier, in the SWOT analysis one of Dufils major strengths is the unique distribution channels they have, and their use of Mulitpro. This makes it possible for the company to channel members to receive adequate sales support. The support which helped them reach out to nearly one million retailers, and through them, half of Nigeria’s 37 million households is one of our biggest strengths and needs to be exploited even better. All of the different kinds of distributors who patronized Indomie saw great business value in associating with Indomie Noodles. This positive relationship will hopefully “shine through” to the customer in the end. Thus, keeping the distribution strategy as it is and better trade on these relations will be one contributing factor to a bigger market share.

d. Promotion
Creating awareness of your brand is one key factor in maximizing the brand equity and reaching out to new customers, however in this case it is more essential to focus more on increasing the brand loyalty among the youth segment. Indomie Noodles has already done a great work increasing the brand awareness using different type of channels. Social media engagement has proven to be the most successful method in the south/central and east Nigeria. Involving the customer to decide the name of the new large pack was genius. However, this success lead to a misleading approach to the northern Nigeria were social medias was not part of their culture. Thus, it is important to reach out to the youth segment in the two different regions, in a more customized way. Both in terms of message and in terms of channels. In this case, using the traditional radio and television could promote brand loyalty well. One suggestion could be creating a catchy musical anthem, with children and adults singing about sharing a bowl of Indomie Noodles. The lead singer of the catchy anthem could be the popular Nazir Ahmed who is very well known in Northern Nigeria. The musical anthem
will help sell a feeling of eating together with you friends, which goes well with the value proposition of youthfulness. The musical anthem could also be played on the radio or with the advertisement on television in the Southern parts of Nigeria as well.

The music anthem will most likely be of common interest in all regions of Nigeria. Instead the way Indomie Noodle chooses to engage with the customer must differ more. Because

Customized promotion channels is key when the culture differs this much. Below-the-line (BTL) activities was very successful in Northern Nigeria when creating brand awareness. One suggestion could therefore be to introduce the “wooden bowl” idea to the customers in northern Nigeria, letting them paint their own wooden bowls and receiving a couple of Indomie noodles in return. This activity should be done in places where the youth segment, 12-30 year are most active, for examples, in churches, schools, hospitals, cafés etc. This activity really helps to empathies the value proposition, of quality.

Meanwhile in the southern region of Nigeria “Painting the Indomie bowl” could be introduced as a social media challenge. The challenge could involve taking a picture of the bowl with your friends and posting it on social media, the winner gets a trip to Europe or something similar. This could be a way to customize the approach to the Southern part of Nigeria. The biggest difference in these two approaches is what the customer will receive when painting the bowl.

6. Future Prospects

a. Market Entry into neighboring/regional markets

Dufil for a certain time been convinced that the Indomie Noodles would reach out to other markets in Africa, through crafting a compelling social media and digital marketing strategy. However, since the company failed to do so in earlier attempts in the northern Nigeria there is a learn by doing wisdom we should learn from. Apparently Dufil, had also found that it was important to focus on brand loyalty instead of brand awareness in Ghana and Ivory Coast. A clear lessons learnt in order not to misjudging the market, is to first analyze what type of market in adjacent countries that would match the product attributes, and not the opposite way which would much more costly. In the new growth strategy there will be a higher emphasis to fully access the market characteristics so that we can develop a more refined market approach based on true needs.
b. Hofstede – Cultural Values

In this new approach the Hofstede model will be of great value to explore the Nigerian culture through six deep drivers of various culture, and thereby find a markets similar to Nigeria’s most essential drivers. However, it is important to state that Nigeria is seen as a “cluster” of countries within a country with different characteristics and culture. But despite this fact, the measure of Indulgence, meaning that the Nigerian Culture does not hold back their impulses and desires, instead they enjoy life and having fun. Thus, an important precondition for a new market entry is a high score of Indulgence.

![Hofstede Cultural Values](image)

7. Conclusion

Indomie and has been victim of its past success, that truly has been successful for a long period of time. By using a number of methods and techniques for analyzing the market we have now been able to develop the basis for a new growth strategy. This is a strategy which is far more refined and differentiated based on certain preconditions in terms of population, education, habits, culture, economic power and adaptability to technology and digital media. We have to do with a nation with very different needs and demands, where we have one southern part of the country with competition of market share in a mature market that needs its own approach and on the other hand a northern region with a developing market with stronger focus on product penetration. The proposed strategy is then based on very different habits in these regions approaching the youth segment in different ways. Through excessive surveys we now know more about the trigger for this target group and the right channels for approaching them. Even though I have proposed some new marketing approaches i.e “the big bowl” campaign and a limited low price product range the company hold strong to the core values of the product and will take advantage of the asset we have for a clear differentiation – our distribution network. Finally, by working methodical we can then pinpoint other markets in Africa that appeals to our strong brand offering. It is a pleasure to propose this strategy to the board of the company.