Case Study
Al Safi Dairy
Market Challenges and the Difficult Equation

Submitted to Her Excellency: Dr. Shaza Ezzi
A Snapshot About The Company:
Al Safi Project was launched in 1979 by His Royal Highness Prince Abdullah Al Faisal (may Allah have mercy on him) by the establishment of Al Safi Dairy Farm in Alshaba Valley, governorate of Kharg about 120 kilometers southeast of Riyadh (as infrastructures and establishments) within the agrarian reform program assigned to that area. After the completion of construction, 3600 head of the finest beef (Holstein and Friesian) were imported. Al Safi began dairy business by this number of sheep. A day after another, a year after another, the elements of production have increased to include more cattle and necessary crops. It has increased and diversified its production of milk and its products to become a model farm in terms of integration of performance, services, and production process, where working up to a thousand employees in various technical and production disciplines, and producing food for a number 24,000 head of beef which generates one hundred million liters of milk a year. Al Safi thus became one of the few dairy farms that produce all of their products from fresh milk 100%. Al Safi has focused since the first day on cultivating fodder and dairy, production of milk, and use of the best known methods of modern industry. In addition, it adopts a complex interlocking way in the distribution of fresh products to where they are consumed as soon as possible after being produced. This in turn led to gaining great experience in how to care for cows and invest them optimally. Therefore, Al Safi was the first local producer of milk obtaining the quality mark issued by the Arab Organization for Standardization and Metrology as an official testimony that its products are made of 100% fresh milk, and as required by the Organization’s precise standards and specifications.

In another development, Al Safi Company has established in 2002 a separate institution by the name of “Al Safi Institution for Marketing” to be responsible for transportation, preservation, sales, and distribution. This step was a useful evolutionary leap as focus until that time was on innovation and efficiency in production, while little attention was directed toward marketing, because there was no need in the eighties and early nineties of last decade for heading for modern costly marketing methods because demand for dairy products was large and continuing throughout Kingdom, and retail stores were increasing steadily everywhere. At that time and after the arrival of the dairy market to maturity and the emergence of a large number of producers, Al Safi noticed a decline in its market share and customers quitted for other alternative products and thus reducing sales.
After two years of study, planning, preparation, and active search, specifically in the mid-2004, Al Safi management managed to identify the basic problem that although its product is of high quality and refined level, the consumer considers it an old company with traditional patterns, does not look for novelty, and is not interested in consumer’s wishes and needs.

**The Main Problem:**
Although Al Safi’s product is of high quality and refined level, the consumer considers it an old company with traditional patterns, does not look for novelty, and is not interested in consumer’s wishes and needs.

**The Decision to Solve the Problem:**
After research and study, Al Safi management realized that if it does not take a series of purposeful steps at a later time, it will not be able to maintain its market share. Therefore, it decided it was time to provide the products in a new shape, content, and message (that is, it needs a comprehensive change).

**Strategies pursued by the company to resolve the issue:**
The Company has pursued an offensive strategy; namely pioneering and leadership. It has increased spending on publicity and advertising by adopting the strategy of (immunization), one of the strategies used in slow-growing markets with mature industries. It also followed up the market changes at both levels of producers and consumers, reviewed production plans continuously to make changes and amendments so as to commensurate with the necessary conditions. Additionally, it also followed the strategy of expansion as a growth strategy by entering new activity and trying to cover the largest part of the market.

**The start of the overall process of change**
Al Safi headed for a comprehensive change at all levels, starting from the organizational level by establishing an institution specializing in marketing and ending with the schematic and executive level. These changes included the following:

- Develop an integrated annual marketing plan within the limits of company's goals.
- Comprehensive analysis of consumer’s trends and desires.
- Following up changes in the market whether on the level of producers, consumers, or competitors.
- Ongoing review of production plans.
Developing an integrated marketing mix:

The Product:
Al Safi produces all its products from 100% fresh milk. Since the first day, it has focused on cultivating fodder, production of milk, and the use of the best known methods of modern industry. It also takes maximum precautions to make sure that the herds are completely free of any kind of disease or injury, including foot and mouth diseases. There is a comprehensive program applied practically all year round for prevention.

Promotion:
It was the most important stage of the change and it took place in two sub-phases:

Phase I:
- At the same time the company realized the basic problem, it was serious in its quest for a good advertising agency capable to understand the company’s new message and to successfully pass this delicate and sensitive phase of its life. Therefore, it has chosen “Dar Al Bayan” that is based in Riyadh for advertising.
- The company turned to a modern-marketing school and directed its attention and efforts to adopt modern methods of marketing due to intense competition from some competitors who have already headed for that move before it and began to reap the benefits in terms of changing the shape, method of distribution, and preparation of modern intensive advertising campaigns for the following reasons:
  * Immersing the market every day with similar products from small-sized producers.
  * The steady increase in the growth of the size of the market greatly diminished.
  * Public and regional taste change every day than ever before.
  * Intense competition and consumer’s buying awareness reduce profit ratios.
  * Shop owners impose their difficult conditions on producers and claim for rents or proportions according to the chosen locations for displaying.
  * Small sale outlets began to recede numerically and emerging in large markets with multiple outlets.
  * Additionally, there is the issue of increasing the production of raw milk which was caused by the shift from wheat and other crops farms to dairy farms, which had a clear impact on the structure of prices and rates of profit, and perhaps ultimately led to the reduction of the number of producers in the market, and thus a strong reason to adopt a conscious and scientific marketing policy to introduce new products with special position and new additions.
*Determining advertising budget and the artistic form of the new advertising campaign which is scheduled to begin in April 2005. One of the most important reasons for the success of this campaign was clarity and simplicity of its objectives. Following are the most prominent of these objectives:

First: to keep and please old customers through the new changes (To maintain its current market share, as well as the good mental picture).
Second: the quest to acquire new customers (to increase its market share by gaining potential customers).

To achieve these goals, it was required to renew the old shape of the product while maintaining its high reputation quality. Renewal of the product required several actions including:

* A new shape of the company and its products.
* New design for different packaging of the product.
- Conducting long discussions during the meetings and encounters within the corridors of the institution for the purpose of removal of personal bias factor to take the bold decision of changing both together, the company and its product.
- Involving public opinion and consumers and seeking their advice by organizing a public contest to design a logo for the company. Committees and working groups sorted more than two thousand designs received from consumers of different ages and nationalities. Upon the completion of the selection and approval process, all efforts were directed towards the implementation of this logo on more than (48) packets of various products of the company (which enabled it to restore consumers’ confidence).

- Al Safi turned to public means, including the advertising campaign that accompanied the new changes, which focused on the so-called “Corporate Statement”. It means producing 100% fresh products as well as publicizing the new logo and new packaging. This has been the most important and most difficult step, as informing and convincing consumers of this great change as soon as possible is a very difficult process.

**Phase II (Company’s Advertising Message):**

* A second phase began, namely planning for advertising campaigns for all products with all its new designs: milk, yoghurt, cream, in line with the public campaign to publicize the fresh products, but always taking into account the specifications of each product separately.
During the period between the evening of 31 March and early April 2005, the actual application of the big change has begun with the withdrawal of old packets and replacing them with new packets in more than 14,000 retail outlets worldwide.

- This replacement process was accompanied by intensive large promotional campaigns, including TV, newspapers, magazines, and street signboards, as well as opinion polls, promotional gifts inside the stores (in-store tasting and merchandising).

**Objectives of the Advertising Message:**
The advertising message for each of the following product s was carrying two goals:
First: Confirming that all Al Safi products get out daily of our farms 100% fresh.
Second: Creating a special mental image (positioning) for each product as follows:
- Milk: Traditional values in preparation skill.
- Milk: Al Safi’s refreshes you.
- Yogurt: Al Safi’s yogurt is the first choice in the Kingdom.
- Cream: More freshness.
- Long-term milk: 100% fresh milk.
- To get closer to the consumer considerably, Al Safi proceeded to design and implement innovative promotional programs that have helped also to increase sales significantly.

**Distribution:**
* Al Safi has trained a merchandising team on modern sophisticated systems to deliver products, display them in a decent and attractive manner, and always search for new sale outlets.

* Besides, creating an atmosphere of harmony and equal work relations with the finest first-class stores based on a win-win principle.

* It uses a complex interlocking way to distribute its fresh products to where they are consumed as soon as possible after being produced.

**Pricing:**
As the company aims to maximize its market share as well as facing competitors, and as its products are consumer products, therefore it adopts the pricing strategy of penetrating the market with the purpose of attracting prospective consumers and achieving the greatest possible volume of sales and market share. It determines pricing on the basis of competition after identifying competitors and their marketing strategies in different circumstances and their prices and then determines similar prices.
Thus, Al Safi has achieved the difficult equation and optimal mix of promotional ideas and coordinated the momentum of publicity for these campaigns.

**New Strategic Objectives of Al Safi:**

* Trying to distinguish its products by keeping up with changes, development, and meeting consumers’ desires and needs that are identified through surveys and comprehensive analysis of their attitudes.

* Al Safi’s products are to be leading and the first and best choice to the consumer in dairy products’ market in the Kingdom, through improving the mental image and emphasis on quality, freshness, and availability everywhere by intensifying promotional advertising campaigns.
  - Retaining its old customers and pleasing them with new changes, along with seeking to gaining new customers.
  - Providing fresh dairy products and juices in search for profitable and unique growth.
  - Maintaining a strong presence throughout the Kingdom of Saudi Arabia and the Gulf Cooperation Council States.
  - Continuing to be the most innovative company specializing in healthy dairy products.
  - Confirming its survival as a leading company in dairy market.

Al Safi’s new Goals:

Al Safi-Danon’s mission is reflected on its slogan (healthy and fabulous taste), as it contributes in keeping people’s health and well-being, and children’s growth by continuously providing them with fun and wonderful taste.

Finally, I think we can say that Al Safi has succeeded in overcoming a critical phase of its production cycle, namely the phase of comprehensive change. We also believe that the most important commendable results for this change is that it has been able to turn internally from a producing company in the first place to a company listens well to the consumer and doesn’t impose its product upon him, but produces what he demands (this is the concept of modern marketing). This marks the beginning of a new stage and a new horizon in the life of this premium distinguished brand "Al Safi" which means in its originality and content purity, freshness, and quality.
Al Safi’s Future Plan:
Al Safi will not stop its initiative but will continue to develop with gaining further expertise in application. Studies and comprehensive research are being conducted to develop existing products and introduce new products that are suitable for Saudi market, especially the youth who represent the largest percentage of the population of our dear kingdom. Out of Al Safi’s next steps is to increase interest in foreign community as special programs are being designed to address them in an attempt to approach them and their aspirations as consumers.

Suggestions for the company from a personal point of view:
* We propose that Al Safi produces special agile products targeting women in general and young women in particular who are often keen on agility.
* Thinking to produce long-term milk that consumer can take with him to his work place without the need to refrigerators, thus becoming the first company to do so.
* Entering the field of cheeses to produce white, cooked, cheddar, triangle, or low-fat cheeses to compete with competitors’ products.
* Producing sweetened and non-sweetened concentrated milk.
  * Producing skim milk targeting the category that likes its taste.
  * Producing also soluble milk powder.
  * Since Al Safi has “Danon”, a product that combines juice and milk, we suggest continuing the strategy of expansion by adding a new activity through heading for natural juices to enter that market to keep up with competitors.
* Diversifying juice flavors according to consumer’s desire after conducting studies and research to explore consumer’s demands as well as competitors’ plans, such as Al Maraie.
* The company can enter into a partnership with the companies that use dairy products in its products, such as companies that make pancakes.
* The company can expand its activity and enter the field of meat production, taking advantage of its large number of cattle, especially those that no longer produce milk. It can manufacture, for example, minced meat, burgers, and sausages.
### Analysis SWOT

#### Strengths

1. Al Safi’s distinctive brand which means, in terms of originality and content, purity, freshness, and quality.
2. It owns 3,600 heads of the finest beef (the imported Holstein and Friesian).
3. Its farm is ideal in terms of integration of performance, services, and the production process.
4. Up to a thousand employees work in it in various professional and production disciplines.
5. It produces food for 24,000 cows which generates one hundred million liters of milk annually.
6. Al Safi is one of the few dairy farms that produce all of its products from 100% fresh milk.
7. Al Safi focuses since the first day on cultivating fodder, dairy production, and using the best known methods of modern industry.
8. The complex interlocking way used to distribute its fresh products to where they are consumed as soon as possible after being produced.
9. Al Safi gains a lot of experience in how to care for and invest cows optimally.
10. Al Safi is the first local producer of milk getting the “quality mark” that is issued by the Arab Organization for Standardization and Metrology, as an official testimony that its products are made of 100% fresh milk, and in accordance with the Organization’s standards and precise specifications.
11. Al Safi has created a separate institution by the name of “Al Safi’s Institution for Marketing” to be responsible for transportation, preservation, sales, and distribution of its products.

#### Opportunities

1. The increase in the production of raw milk had a clear impact on the structure of prices and rates of profit, and perhaps ultimately led to the reduction of the number of producers in the market (which has been tapped by adopting a conscious and scientific marketing policy to introduce new products with special position and new additions).
2. Al Safi has decided to offer its products in a new shape, content, and message.
4. Selling outlets are growing steadily.
5. Comprehensive studies and research are being conducted to develop the existing products and introduce new products that suit the Saudi market, especially the young who constitute the largest percentage of the population of the Kingdom.
6. Of Al Safi’s next step is to increase attention to foreign communities, where special programs are being designed to address them in particular in an attempt to approach them and their aspirations as consumers.
12. Clarity and simplicity of the objectives of the advertising campaign have contributed to its success.
13. Renewal of the shape of the old product while maintaining its high reputation quality.
14. It managed to win the loyalty of its consumers and recovering them through the application of the slogan that was designed by the public on more than (48) packets of various products, which confirms its sincerity in achieving all the requirements of current and future customers.
15. Seeking consumers’ opinion and advice, by organizing a public contest for designing a logo for the company.
16. Al Safi Company turned to public means, including advertising campaign that accompanied the new changes which focused on the so-called “Corporate Statement”, meaning that Al Safi produces 100% fresh products as well as publicizing the new logo and new packets.
17. It launched intensive and large campaigns, including television, newspapers, magazines, and streets board as well as surveys and promotional gifts inside the shops.
18. Its products are sold through more than 14,000 retail outlets across the Kingdom.
19. Al Safi has based its decisions and movements on sound planning resulting from careful research and exploring all that is available from market data in addition to the new marketing plan.
20. Al Safi has trained a merchandising team on modern sophisticated systems to deliver and display products in a decent and attractive way and always search for new outlets for sale.
21. Creating an atmosphere of harmony and equal work relations with the finest first-class
store based on a win-win principle.

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<tr>
<th>Weaknesses</th>
<th>Threats</th>
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<td>1. Focus was on innovation and efficiency in production, only little attention was given to marketing (avoided by creating Marketing Corporation).</td>
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<td>2. It doesn’t look for novelty and is not interested in consumer’s wishes and needs.</td>
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<td>3. It does not develop a new form for the company and its products, and doesn’t design new packaging for their products for many years.</td>
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<td>1. The high costs of modern marketing methods.</td>
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<td>2. The arrival of the dairy market to maturity stage and the emergence of a large number of producers.</td>
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<td>3. Attention and efforts tended to adopt the methods of modern marketing. (Avoided).</td>
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<td>4. Immersing the market every day with similar products from small producers.</td>
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<td>5. The steady increase in the growth of the size of the market greatly diminished. (A threat that offers the company a chance).</td>
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<td>6. Public and regional taste differs every day than ever before.</td>
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<td>7. Intense competition and consumer’s buying awareness decrease profit ratios.</td>
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<td>8. Al Safi’s old customers are quitting it because of the delay in renewal and development, and the strength of marketing methods used by competitors. (Already avoided).</td>
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<td>9. Shop owners impose their difficult conditions on producers and ask for rents or proportions in according to chosen places for display.</td>
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numbers and emerging together in large markets with multiple outlets.
11. Intense competition with some of the companies which went before it ahead for the transition to the modern marketing school and began to reap the fruit.
12. Consumer’s View: Although Al Safi’s product is of high quality and high level, the consumer thinks that the company is old, with traditional patterns, does not look for the novelty and is not interested in consumer’s wishes and needs.
13. The most difficult challenge is to inform and convince its consumer of the changes as soon as possible.
14. Al Safi company must recover a lot of its old competitive strength, and change the consumer’s usual perception in order to accept the form and content of the new Al Safi and a new stereotype.

References:


Company’s website: