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**Title:** Marketing Strategy of Arnott's Tim Tam

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**Marketing Strategy of Arnott's Tim Tam**

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## **I. Introduction**

Australian people are quite sweet lovers. Of the total food consumption in 2014, Australian consumed 45% carbohydrate followed by 31% fat and 18% protein. According to a 15-year study, men and women in average consumed 9,655 kJ and 7,402 kJ per person per day respectively (Crowe 2014). Biscuit is an example of sweet and calories rich food popular among Australian consumers.

There have been some significant changes in Australian biscuit industry between the years 1990 to 2010. In 1997, Campbell Investment (Australia) Pty Ltd was totally owned by the US's Campbell Soup Co Inc. and became the largest brand in Australia. Since then industry became highly attractive, drawing more brands and manufacturers into the market. In new competitive environment, firms have developed new products with different tastes and flavours adapting to the changing taste of consumers. Urged by the competitive and fast growing market, Australian government set up a Grocery and Foods council to monitor as well as to assist the industry in product development and bring competition to the next level (Alex's Home 2010).

In the last five years, the industry has been expanding remarkably. Between 2005 and 2010, the total value of the industry had grown sharply from \$926.9 million in 2004 to \$1.2 billion in 2008 (around 113,286.6 tonnes of biscuit sold). Also, there have many changes in market shares and growth of key manufacturers. In 2008, Arnott's took 58.8% of the total market share, followed by potential competitors such as Housebrand, Paradise, and Kraft which took 10.4%, 5.68%, and 5.57% respectively. Meanwhile, consumer taste has also changed; that is, biscuit has become a part of Australian daily food choice (Alex's Home 2010).

Among all the biscuit brands in the market, Arnott's is the most popular and oldest one 150 years of history. Understanding and critically evaluating marketing strategies and tactics behind Arnott's success would enhance insight for marketers. In this sense, this paper will analyse characteristics of Arnott's Tim Tam product ranges, identify market segments, recommend marketing mix (4Ps), and finally will evaluate how effective the product line have been marketed, based on which recommendations will be offered.

### 1.1. About the Arnott's Tim Tam Product Line

Time Tam, named after the winning horse of Kentucky race by an Arnott family member, is a biscuit brand first introduced to Australia market in 1964. Tim Tam is the most popular Australia biscuit brand which is consumed by nearly 95% of household. Currently, there are four manufacturing plants in Adelaide, Sydney and Brisbane. Since 1997, the company has invested \$400 million in state of the art and automated biscuit manufacturing facilities (Campbell 2010).

According to its official website, Arnott's has several products categories such as Savory Crackers, Sweet Biscuit, and Chocolate Biscuit which Tim Tam is a product line belongs to. In 2009, Chocolate Biscuit category represented 22% of the net sales in which Tim Tam accounted for 43% (Campbell 2010). Tim Tam has four sub-groups: Classic, Family Value, Chocolicious, and Limited Edition as shown in Table 1 below. In each category, there are a number of products that differ in taste, packaging design, volume, and calories content.

**Table 1. Tim Tam product line**

Tim Tam Classic		
		
Original (200g)	Dark Chocolate (200g)	White (165g)
		
Chewy Caramel (175g)	Double Coat (200g)	
Tim Tam Family Value		
		
Value Pack (National, 300g)	Family Pack (ALDI, 356g)	

Tim Tam Chocolicious		
		
Dark (187g)	Original (187g)	Goopy Caramel (191g)
		
Assortment Box (290g)	Variety Box (290g)	
Tim Tam Limited Edition		
		
Virgin Espresso Martini (165g)	Virgin Pina Colada (165g)	Virgin Strawberry Champagne (165g)
		
Salted Caramel (171g)	Coconut Cream (165g)	

Source: Arnott's website (<http://www.arnotts.com.au/products/tim-tam/>)

## II. Market Segmentation for Arnott's Tim Tam Product Line

Market segmentation is about grouping customers with different characteristics into different groups so that eventually those with similarities stay in the same group (MarketingMO 2013). Market segmentation is a complex task but is for critical business success. The core principles behind market segmentation are that it is not possible to serve everyone in the market because people have different needs, belief, values, attitude, and

different circumstances; and that the business has limited resources. Therefore, defining and targeting exactly who the product is meant to serve is vital for the business to serve them more effectively, efficiently, and at a better captured profit than competitors (Armstrong et al. 2015). Also, understanding customers and consumers—their current and future needs and wants—is a part of a market-orientated organization's culture.

Market segmentation, moreover, requires alignment of a company's strategies especially the four components of marketing mix (product, pricing, promotion, and distribution). Product design should be aligned to the pursued values or benefits sought, wanted features, and demanded supporting services. Pricing should reflect the segment's affordability and willing to pay. Promotion should carry suitable messages relative to consumer attitude and belief and through the right media. Distribution should facilitate products availability and accessibility in alignment to where, when and how customers and consumers wants.

Customers could be segmented based on geographic, demographic, psychographic and behavioural differences (Armstrong et al. 2015). However, Hamilton (2015) noted “there is no single right way to segment the market” and that “different brands could segment the same market in radically different ways”. He added that the principles guiding segmentation analysis are that market should be segmented periodically due to its fluidity—customers leave and come, market share goes up and down; that each segment should be distinctive and not overlapping each other; and that segmentation should start with psychographic—seeking what people's wants, needs, and what they value before demographic and geographic.

Australian is a culturally diverse country. McCrindle (2014) divided Australian population into different generations including Builders (born between 1925 and 1945), Baby Boomers (1946-64), Generation X (1965-1979), Generation Y (1980-1994) and Generation Z (1995-2010). The study also indicated close relationship between demographic and psychographic of Australian people. He stated *“if the demographics and sociographics are the skeleton of each generation, the psychographics – personality, attitudes, lifestyle and values – are the flesh and blood.”*

In this regards, this paper will try to segment Arnott's Tim Tam consumers based on the combination of demographic and psychographic factors (personality, value, attitude, and lifestyle). And because Tim Tam is a consumer product the paper will focus more on consumers than customers. Based on demographic insights from McCrindle (2014), Tim Tam market could segmented as below:

Table 2: market segmentation for Tim Tam

<p><i>Segment 1: children, teenagers and young adults</i></p> <ul style="list-style-type: none"> <li>• Demographic: they are Generation Y male and female between age group 13-25, and they are student and first jobber who earn none or little money.</li> <li>• Personality: energetic, active, positive, confident, sociable, and spontaneous, value driven</li> <li>• Values: value fun and joy; accept diversity, social awareness, and friendship, excellence</li> <li>• Attitude: embrace little moment of happiness, like to seek new experience and taste, like to indulge themselves with quality experience, take sport seriously, enjoy making purchase decision on their own, and enjoy eating a lot, like to get and give gift and presents</li> <li>• Lifestyle: little saving, judge friends as new family, they enjoy "lifestyle but not life stage", and highly involved with social media and trends</li> </ul> <p>Implications: this group has low purchasing power but seek great functional value and experience from the produce they consume. The product image and benefits should reflect their personality, attitude and lifestyle.</p>
<p><i>Segment 2: parents</i></p> <ul style="list-style-type: none"> <li>• Demographic: they are male and female in Generation X within age group 25 to 50. They are new parents or with two kids in average</li> <li>• Personality: reactive, pessimistic, sceptical, adaptable, and innovative</li> </ul>

- Values: work-life balance, care about family and environment, health conscious
- Attitude: seek the truth, nothing is absolute, willing to work hard but with proper reward and not at the expense of family
- Lifestyle: involving in debt, work hard but prioritize family , and living above mean

Implication: this group has proper exposable income, but very health conscious. They like to seek good family and community experience and events.

Occasional consumers include those whose diet pattern excludes biscuit for example very young kids under 12 years old who are more sensitive to the concept of “balance diet”. Arnott’s has made a strong commitment in responsible marketing to children due to healthy diet sensitivity (Arnott's n.d-b). Non-customers include non-sweet lover, health conscious people who refuse to consume high calories food, people with obesity and diabetes. These consumer groups are excluded from target segments because their needs are contradicted to values offered by Tim Tam and thus cannot be satisfied.

From the segmentation analysis above, it can be seen that consumer values and attitude are complex and thus difficult to correctly respond. Therefore, the concept of value co-creation is very important. Example of value creation includes but not limited to: involving consumer research and intelligence, interaction through social media to gain feedback, and product test to seek consumer benefit experience. Using information and insight from consumers, the company can create values in collaboration with value chain partners to deliver values through all three levels of product (core value, actual, and augmented) to finally achieve adaptability, differentiation, and competitiveness (Armstrong et al. 2015).

Understand consumers and satisfying consumers is a process and is complex. Therefore it requires a solid marketing plan as a detail roadmap outlining strategies, tactics, and resources necessary to keep the organization focused on goals. Also, a marketing plan is important for the business management because marketing is a core function of any business and the market plan ties organization activities to a tangible goal. Additionally, the process of marketing planning is critical for generating new ideas, inspiring teams, and



visioning the future. Finally, getting the whole organization involved in marketing research and planning is an approach to building a market-oriented organization (MarketingMO 2013).

### **III. Recommended Marketing Mix for Tim Tam Product Range**

#### **3.1 Recommendation for Product Strategies**

Product is the most important P of the marketing mix (MarketingMO 2013). A product can be analysed at three levels—core value, actual product, and augmented product. Core value is reason why consumers are really buying (Armstrong et al. 2015). Hamilton (2015) divided customer values into four categories: functional, monetary, social, and psychological values. Understanding which value type drives each consumer group is critical since wrong value proposition could lead to ineffective marketing or brand damage. Functional value refers to benefits that fulfil consumers' purpose of consumption. Monetary value is the worthiness of benefit received in relation to consumers' payment and it involves economic rational decision making. Social value is about the degree to which the products/services enable consumers to connect with others and be a part of society as a whole. Finally, psychological value refers to the emotional benefits when consuming. For example, the feeling of being better, appreciated, hopeful, respected, and convenient and so on by the consuming the products or services.

To reach a high level of brand equity and loyalty from consumers, Arnott's should deliver all the four values effectively through all three product levels. For Arnott's Tim Tam, functional value is probably the core value. Consumers in segment 1 may pursue the functional benefits of unique, excellent quality, cracker and delicious Tim Tam biscuit. By consuming Tim Tam biscuit, consumers might like to embrace psychological benefits—the feeling of appreciated and joyful. Tim Tam should have diverse flavours and colours to serve various functional values of consumers. Also, to serve more health conscious group, Tim Tam should have a range of calories level appropriate to different consumers.

At actual product level, Arnott's should offer designs that convey a unique brand identity in term of shape, size and compared to competitors' products in the market. Since Arnott's

positions Tim Tam apart from competitors by claiming “there is no substitute for quality”, Tim Tam should be made from high quality ingredients from trusted sources. Nutritional content should exclude any undesired substance.

At augmented product level, besides everyday available at nearest stores, Arnott’s should design programs allowing direct connection with consumers as well as between consumers through traditional and digital media such social media (Facebook, Youtube...), social and commercial events, Corporate Social Responsibility (CSR) programs, and sustainability policy.

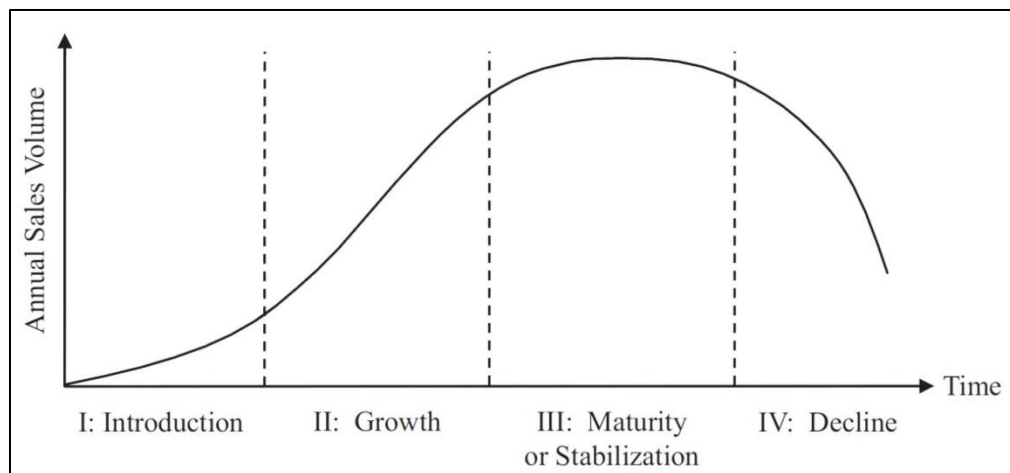
### **3.2 Recommendation for Tim Tam Pricing Strategy**

Tim Tam pricing should reflect the company’ positioning strategies, vision, and consumer perceived values. There are many approaches to pricing that Tim Tam could consider such as cost-based, value-based, and competition-based pricing. Cost-based is setting the price based on cost of good plus a desired margin in the absence of customer value experience consideration. Competitor-based pricing is setting price in relation to competitors’ in order to stay competitive. While value-based pricing is setting price by first estimating most appropriate price consumers are willing to pay then work backward to structure and minimize production costs (Armstrong et al. 2015).

Regarding the facts that Tim Tam has been the most popular brand in Australia taking nearly 60% of biscuit market share, it is a differentiated product competing based on value. In this sense, even if Arnott’s adopt value-based pricing by setting higher price for Tim Tam over competitor products it still could sell a significant volume. However, to maintain the market leader position, Tim Tam price should be set just a bit higher than competitions so that the premium brand image could be achieved while raising barrier for competitors in increasing market share. Arnott’s could still make substantial profit using this strategy because in Australia it has already achieved economy of scale, efficiency and cost advantages.

### 3.3 Recommendation for Tim Tam Promotion Strategy

Before getting to promotion strategy, Arnott's should understand where its Tim Tam biscuit fall into the product life cycle (PLC). PLC refers to the development stages of sales and profit in the product life time in the market, and it is divided into five phases including R&D and product development phase, launching phase, growth, maturity and decline phase as indicated in figure below (Armstrong et al. 2015).



Source: Wikipedia

PLC has significant implications on marketing strategies. For example, at product development phase, the company makes a significant investment on research, prototype building, testing, and modification. In this stage, for marketer is to understand customers' needs and wants, understand the product and value proposition, create media and marketing plan but not necessarily promoting on market. However, intensive and investment in promotion might be needed at the introduction or launching phase. At growth and maturity stage, level and type of marketing used depend upon the company's position in the market—whether it is the market leader or followers (MarketingMO 2013).

As part of Arnott's strategy, different Tim Tam flavours have been innovated and introduced to market subsequently to back up sales for the items in declining phase. In this regard, each item of Tim Tam product line is at different stage of product life cycle. Therefore, Arnott's needs different promotion strategies for items in each phase:

- For Tim Tam items in the introduction phase, Arnott's should invest in promoting brand awareness, brand attitude, brand purchasing intention, and sales facilitation. In this phase, multiple media channels should be selected including traditional media such as TV advertising and publicity and digital media such as content marketing (Video and article) on online ads and news, social media (Facebook, Youtube...). And the key is to connect them together as a system and in a consistent manner. Also, displaying the new items closest to the best-selling Tim Tam in the supermarket would catch consumer attention quickly. Promotion plan should be 12 months based, in which new/innovative promotion campaign (with updated content) should be implemented at least every three months to guide consumers from brand awareness to repurchase stage.
- For Tim Tam items at growth and maturity stages, depending on sales performance and market share promotion should be adjusted. If sales performance is desirable, expensive media should be cut while maintaining some channels to keep relationship and facilitate sales.
- For items at declining stage, there should be frequent sales promotion to boost sales.

### **3.4 Recommendation for Distribution Strategy**

Distribution or placement is the physical infrastructure for delivering the products or services to end consumers. It is an important element of a company's strategy to reach, penetrate and expand the market. The process of distribution could be simple or complex and be involving few or multiple stakeholders. There could be many types of distribution partners such as dealers, value-added resellers (VAR), retailers, wholesalers, distributors, consultants and sales agents (MarketingMO 2013). Millions of Arnott's Tim Tam, together with several other products, are produced and delivered to its consumers per day, which means stock-out could not be permitted. In this sense, distribution should be as direct as possible to reduce costs and mitigate logistics and communication risks.

Based on preference of Australian consumers in shopping through retailers such as Coles and Woolworth, it is obvious that the crucial value chain partners in distribution is retailers, and therefore establishing a strong relationship and building direct distribution channel with retailers is crucial. To maintain focus on consumers, Arnott's should regard retailers not only as a customer but also a distribution and marketing partners.

#### **IV. Marketing and Communication Objectives**

According to BusinessDictionary.com, communication objectives are the "intended goals of an advertising or promotional program". The possible objective could be: building awareness, educating consumers, creating brand perception, shaping brand attitudes, stimulating purchasing intention, and/or increasing sales.

Communication objectives should be closely linked to positioning strategies and encompass important messages from all the 4Ps of marketing mix especially promotion. Arnott's might have set the following communication objectives for Tim Tam product range:

- Brand awareness: typically for the newly launched Tim Tam flavours or designs. Arnott's might have set strong focus on building strong awareness not because the whole brand is new but because new Tim Tam items are subsequently released. Without awareness building, it would be difficult to differentiate between items.
- Brand attitude: is about creating perception and influencing consumer opinions on product value, quality and trust. Arnott's communication strategy might be to create percept of Tim Tam as being unique, excellent quality and highly trusted brand.
- Brand purchasing intention: setting an affordable price, Arnott's might want to attach Tim Tam biscuit to more consumption occasions.
- Purchase facilitation: is about creating channels for purchasing after consumers have the purchasing intention. Arnott's might have set distribution strategy through retailers as a main purchase facilitation while increasing purchasing buying channels though online shopping and digital promotion catalogues.

## **V. Evaluation of Arnott's Marketing Program for Tim Tam Product Range**

In overall, Tim Tam product line has been effectively marketed. Tim Tam brand has achieved a unique position in consumers mind. For example, Tim Tam has been viewed as Australian iconic food.

### ***Innovation product strategy***

Tim Tam offers various package designs and net weight ranging from 175g to 200g. Also it offers a wide range of calories level. Arnott's has created several different flavours to satisfy different tastes of consumers such as original, salted caramel, white chocolate, classic dark, double coat, chewy caramel, coconut cream, raspberry, and peanut butter (Arnott's n.d-c). The key is that while maintaining identity Arnott's keep innovating new products. To a confident extent, it has effectively served the core benefits to consumers as reflected by increasing sales and market share.

### ***Effective Pricing***

Arnott's has managed to position itself on top at a higher price set. Arnott's is in a proportionally strong position in regard its most powerful customers. The pricing power can be illustrated by the 'price war' between Tim Tam and the supermarket giant Coles in recent year. In October 2015, Arnott's demanded the increase of some of its biscuit brand by 10%. As Coles denied the proposal, the war began by Arnott's reduced then cut the supply off entirely to Coles. Standing for around 10 days when the stock is dangerously low, Coles was forced to accept the price hike by between 2.2% to 9.9% (Greenblat 2015). This shows Arnott's pricing power. If examined closely, Tim Tam can gain its price power maybe because of its strong brand loyalty and strong positioning in consumers mind. And maybe it is because Tim Tam has alternative distribution channels/partners such as Woolworth, SupaIGA, and so on.

### ***Efficient distribution***

Arnott's has proved itself very successful in restructuring distribution strategy. Before 2004, Arnott's distribution strategies used to be: delivering from manufacturing factories

to many small distribution centres, then transported further to retail stores. However, after 2004 Arnott's changed its distribution strategies by transferring the warehouse storage to retailers. Through this new model, upon orders products are loaded into truck and transported directly to retailers' warehouses. Hence, retailers are responsible to moving the products from their warehouse to stores (Dexion n.d).

However, change in distribution strategy require alignment in production and storage system and operation and perhaps involve installing new technology to avoid negative impacts other components such production. For example, to implement the new strategy, Arnott's needs to worked with its partners such as Linfox and Dixon in constructing news warehouse in the same place with manufacturing plant as well as renovate its production lines as well as tactics in managing, sorting, and storing the products. By doing this, not only negative was the impact on products prevented but also could production capacity improved (Dexion n.d).

New distribution strategy as well as adding stat-of-the-art technology is a part of the company's innovation to stay ahead of competitors. The lesson learnt in this case is distribution strategy cannot be changed all of a sudden. Careful study and planning with expert partners and suppliers must be long ahead of implementation. For instance, Arnott's send Linfox to its four sites in and around Brisbane to study and understand in the detail the production process (Dexion n.d).

### ***Promotion***

From observation and desk review, Arnott's has touched multi-levels of marketing including production-oriented, market-oriented and social-oriented and sustainability marketing. Arnott's has used promotional mix for Tim Tam product range. Based on good relationship with retailers, Tim Tam is able to be promoted on large and attractive spaces in giant supermarkets. This reflects strong personal and direct selling strategy of in building collaboration with retailer in promotion. Also, Tim Tam runs occasional sales promotion at supermarket shelves to keep communication with consumers. For public

relation, Tim Tam has used social media such as Facebook and Twitter to communicate important messages as well as listen to feedback and complaints from consumers.

At higher level, Arnott's has understood the importance of sustainability marketing concept. In Arnott's Social Corporate Responsibility program (CSR), Arnott's has promoted social responsibility through sustainable inputs and ingredients. Arnott's commits to sustainable palm oil by using 100 per cent segregated and certified palm oil for backing the biscuit. Traceability system has been developed to track sustainability in relation to deforestation. It also collaborates with Fair Trade Australia and New Zealand to make sure fair deal for growers in West Africa. Furthermore, through its report, the company has also implemented energy efficiency, packaging improvement, and cage-free egg programs (Arnott's n.d-a).

### ***Recommendation***

Providing recommendation to sound Arnott's Tim Tam marketing strategy is a challenging task. However, this paper will try to offer some suggest as below:

- Arnott's need to invest on consumer research regarding taste, value, and brand perception which are critical for timely adapting to consumer changes and for maintaining market leader position.
- For promotion on social media, the company should improve and keep updating innovative content especially video.
- As a part of consumer co-creation, the company should better draw involvement from consumers. For example, creating a Tim Tam design competition for Tim Tam consumers.
- The company could also call for innovative marketing strategy suggestion from consultants, students, and communities as a part of innovation generation.
- Expand reach to consumers in more occasions by creating alternative distribution channel. For example, supplying to cinema could create another consumption occasion.
- Integrate sustainability marketing to commercial promotion to standout from competitors.



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