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Chobani®: Making Greek Yogurt a Household Name“Everybody should...

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Problem 1VCQ:

Chapter: Problem:

Chobani®: Making Greek Yogurt a Household Name

“Everybody should be able to enjoy a pure, simple cup of yogurt. And that’s what Chobani is,” says Hamdi Ulukaya, founder and chief executive officer of Chobani, LLC, in summarizing his vision for the company.

Video 1-6
Chobani
Video Case
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As the winner of the 2013 Ernst & Young World Entrepreneur of the Year award, his words and success story carry great credibility.

THE IDEA

Hamdi Ulukaya came to the United States in 1994 to learn English and study business. He started a feta cheese company, Euphrates, when his visiting father complained about the quality of American feta cheese. In 2005, Kraft Foods closed its New Berlin, New York, yogurt plant built in 1885. While tidying up his office, Ulukaya stumbled upon a postcard about the sale of the shuttered Kraft plant and threw it out. After sleeping on the decision, he fished it out of the wastebasket, visited the plant, and purchased it with the help of a U.S. Small Business Administration loan.

Ulukaya (center in photo) had no real experience in the yogurt business. He grew up milking sheep at his family’s dairy in eastern Turkey and eating the thick, tangy yogurt of his homeland. Describing the regular yogurt he found on shelves in America, he has one comment: “Terrible!” In his view, it is too thin, too sweet, and too fake. So he decided to produce what is known as “Greek yogurt”—an authentic strained version that produces a thick texture, high protein content, and with little or no fat. With the help of four former Kraft employees and yogurt master Mustafa Dogan, Ulukaya worked 18 months to perfect the recipe for Chobani Greek Yogurt.



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The very first cup for sale of Ulukaya’s Greek yogurt appeared on shelves of a small grocer on Long Island, New York, in 2007. The new-product launch focused on the classic “4Ps” elements of marketing mix actions: product, price, place, and promotion.

PRODUCT STRATEGY

From the start Ulukaya’s Greek yogurt carried the brand name “Chobani.” There was no room for error, and the product strategy for the Chobani brand focused on the separate elements of (1) the product itself and (2) its packaging.

The Chobani product strategy stresses its authentic straining process that removes excess liquid whey. This results in a thicker, creamier yogurt that yields 13 to 18 grams of protein per single-serve cup, depending on the flavor. Chobani is free of ingredients like milk protein concentrate and animal-based thickeners, which some manufacturers add to make “Greek-style” yogurts.

Chobani uses three pounds of milk to make one pound of Chobani Greek Yogurt. Some other features that make Chobani Greek Yogurt “nothing but good,” to quote its tagline:

- Higher in protein than regular yogurt.
- Made with real fruit and only natural ingredients.
- Preservative-free.
- No artificial flavors or artificial sweeteners.
- Contains five live and active cultures, including three probiotics.

“With our packaging people would say, ‘You’re making it all look different and why are you doing that?’” says Kyle O’Brien, executive vice president of sales. “If people pay attention to our cups—bright colors and all—we know we have won them, because what’s inside the cup is different from anything else on the shelf.”

PRICE STRATEGY

To keep control of their product, Ulukaya and O’Brien approached retailers directly rather than going through distributors. Prices were set high enough to recover Chobani’s costs and give reasonable margins to retailers but not so high that future rivals could undercut its price. Today, prices remain at about \$1.29 for a single-serve cup.



© Mike Hruby

PLACE STRATEGY

The decision of Ulukaya and O’Brien to get Chobani Greek Yogurt into the conventional yogurt aisle of traditional supermarkets—not on specialty shelves or in health food stores—proved to be sheer genius. Today Chobani sees its Greek Yogurt widely distributed in both conventional and mass supermarkets, club stores, and natural food stores. On the horizon: growing distribution in convenience and drugstores, as well as schools. Chobani is also focused on educating food service directors at schools across the United States about Greek yogurt’s health benefits for schoolkids.

The Chobani growth staggers imagination. From the company’s first order of 200 cases in 2007, its sales have grown to over 2 million cases per week. To increase capacity and bring new products to market faster, in 2012 Chobani opened a nearly one million square foot plant in Idaho. Built in just 326 days, it is the largest yogurt manufacturing facility in the world. Along the way Chobani faced a strange glitch: Demand for Chobani’s Greek yogurt far surpassed supply, leading to unhappy retailers with no Chobani cups to sell. Kyle O’Brien launched Operation Bear Hug. “Instead of hiding behind letters to retailers, we decided to get on a plane and to communicate with them within 24 hours about the problem and what we proposed to do about it,” says O’Brien. “So we found it critical to be very transparent and open with our communication at times like that.”

PROMOTION STRATEGY

In its early years Chobani had no money for traditional advertising, so it relied on word-of-mouth recommendation from enthusiastic customers. The brand harnessed consumer passion on social media channels early on and found that people loved the taste of Chobani once they tried it. So in 2010, Chobani kicked off its CHOMobile tour a mobile vehicle sampling Chobani at events across the country, encouraging consumers to taste Greek yogurt for the first time. As Chobani grew, it began to launch new promotional activities tied to (1) traditional advertising, (2) social media, and (3) direct communication with customers.

In 2011, Chobani launched its first national advertising campaign. “Real Low Stories.” The only problem: apparently it was too successful! The resulting additional consumer demand for Chobani Greek Yogurt exceeded its production capacity, leaving retailers unhappy because of complaining consumers. What did Chobani do then? It stopped the advertising campaign and sent in another Operation Bear Hug team to communicate with retailers. Since then it has run other successful national advertising campaigns, including sponsorship of the 2012 and 2014 U.S. Olympic Teams.

“Social media has been important to Chobani, which has embraced a high-touch model that emphasizes positive communication with its customers,” says Sujean Lee, head of corporate affairs. Today, Chobani’s Customer Loyalty Team receives about 7,000 inbound customer e-mails and phone calls a month and are able to make return phone calls to most of them. Consumers also get a handwritten note. Chobani launched its “Go Real Chobani” campaign in 2013 to highlight that they are a real company making real products and engaging consumers through real conversations.

Aside from Facebook (www.Facebook.com/Chobani), the company interacts with its consumers through Twitter, Pinterest, Instagram, Foursquare, and other social media platforms. Chobani Kitchen (www.chobanikitchen.com) is an online resource with recipes, videos, and tips on how to use its Greek yogurt in favorite recipes.

AGGRESSIVE INNOVATION AND POSITIVE SOCIAL CHANGE

Dannon, Yoplait, and PepsiCo were shocked by the success of Chobani Greek Yogurt. Each now offers its own competing Greek yogurt. With giant competitors like these, what can Chobani do? Chobani’s focus: Innovate! And with creative, new Greek yogurt products!



© John Minchillo/AP Images

"Today we offer our Chobani Greek Yogurt in single-serve and multi-serve sizes, while expanding our authentic strained Greek yogurt to new occasions and forms," says Joshua Dean, vice president of brand advertising. Its recent new-product offerings include:

- Chobani Simply 100™—a 5.3-ounce cup of yogurt made with only natural ingredients and 100 calories for the calorie conscious segment. Sample flavor: Tropical Citrus.
- Chobani Kids Pouches—made with 25 percent less sugar than other kids' yogurt products, in pouches with twist-off lids that are resealable. Sample flavor: Vanilla Chocolate Dust.
- Chobani Flip™—a 5.3-ounce, two-compartment package that lets consumers bend or "flip" mix-ins like granola or hazelnuts into the Chobani Greek Yogurt compartment. Sample flavor: Almond Coco Loco, a coconut low-fat yogurt paired with dark chocolate and sliced toasted almonds.

Chobani gives 10 percent of all profits to its Shepherd's Gift Foundation to support people and organizations working for positive, long-lasting change. The name comes from the "spirit of a shepherd," an expression in Turkey used to describe people who give without expecting anything in return. To date the foundation has supported over 50 projects—from local ones to international famine relief efforts.

WHERE TO NOW?

International operations and a unique test-market boutique in New York City give a peek at Chobani's future.

International markets provide a growth opportunity. Already sold internationally in Australia, Chobani opened its international headquarters office in 2013. Other countries have far greater annual per capita consumption than that for U.S. consumers. For example, some Europeans eat five or six times as much on average. So while entrenched competitors exist in many foreign countries, the markets are often huge, too.

How do you test ideas for new Greek yogurt flavors? In Chobani's case, it opened what it calls a "first-of-its-kind Mediterranean yogurt bar"—called Chobani SoHo—in a trendy New York City neighborhood. Here, customers can try new yogurt creations—from Strawberry -I- Granola to Toasted Coconut + Pineapple. The Chobani marketing team obtains consumer feedback at Chobani SoHo, leading to potential new flavors or products in the future.

Hmmm! Ready to schedule a visit to New York City and Chobani SoHo? And then sample a creation made with Pistachio + Chocolate (plain Chobani topped with pistachios, dark chocolate, honey, oranges, and fresh mint leaves), and perhaps influence what Chobani customers will be buying in the future?³⁶

From the information about Chobani in the case and at the start of the chapter, (a) whom did Hamdi Ulukaya identify as the target for his first cups of Greek yogurt and (b) what was his initial "4Ps" marketing strategy?

³⁶Chobani, LLC. : This case was written by William Rudelius, based on personal interviews with Chobani executives Joshua Dean, Sujean Lee, and Kyle O'Brien. Other sources include "The Chobani Story," MEDIA@CHOBANI.COM, 2013; Megan Durisin, "Chobani CEO: Our Success Has Nothing to Do with Yogurt," Business Retail Insider, May 3, 2013, p. 1; and Sarah E. Needleman, "Old Factory, Snap Decision Spawn Greek Yogurt Craze," The Wall Street Journal, June 21, 2012, pp. B1, B2.

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