

Cold War In The Ice Cream Industry

MANAGEMENT DECISIONS

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

Managerial Decision

Due to the situation still being ongoing, we have decided to take a slightly different approach to the managerial decision. As Unilever is a quite well-established company, they thought they can afford to look at the disruptions as short-term problems, rather than changing their long-term strategy. This is why the managerial decision includes quite a lot about competition, as it influenced Unilever to become more active in defending their market share and position in the Indonesian ice cream market.

Timeline of the Cold War

1992-2015

Unilever first entered Indonesia in 1933. Throughout the years their favourable position as one of the strongest corporate brands has presented many opportunities. One of them being a market leader in the Southeast-Asian ice cream market. They started selling their ice cream in Indonesia in 1992 and have remained relatively unchallenged until 2015.

In 2015 Aice entered the Southeast-Asian ice cream market. The Chinese-funded ice cream brand has managed to set up 3 factories in the Indonesian market as well as establish an operations management system, cold chain logistics, whilst covering both production and retail. Throughout the years, Aice has managed to be very close to the top of market leaders in Indonesian ice cream market, by “growing together with local people”. They have done this by supporting them in finding jobs, e.g. providing people with carts for selling ice cream that they could mount on their bicycles (**Picture 3**). Another program they are passionate about is increasing income for small to medium sized stores. They provide free freezers for stores that can later sell Aice ice cream. Perhaps one of the biggest strengths they have is their compassion for local people, resulting in the creation of more than 20,000 jobs for Indonesians.

While Aice was building their ice cream empire, Unilever conducted business as usual. As they did not perceive Aice as a threat, they continued with their long-term strategy. This involved introducing of new flavours and product lines to cater to evolving consumer preferences and launching sustainability initiatives such as reducing packaging waste.

2018-2023

In 2018 another Chinese ice cream brand, Yili, which is owned by Joyday, entered the market. Their ice creams are available in more than 20 cities in the country. The company decided to build a production base in Indonesia, which is the largest ice cream plant in the country. It is estimated to be able to produce about 4 million products per day. Yili did not only strategically decide to build their innovation center and production facility in Indonesia, but also showed local population that they see a lot of potential in their market. Additionally, they did not forget the importance of investing in people, hence their Yili Southeast Asian Innovation Centre is working together with Yili's innovation centers, R&D institutions and universities across the world.

Due to Aice doing well in the Indonesian ice cream market as well as Yili entering the scene, Unilever decided to react and launch their own counter-brand. Consequently, Yili by Joyday and a newly introduced fighter brand Seru by Wall's Unilever, were introduced to the ice cream market at a similar time. The price of Seru products is around IDR 2,500, which is about half of the average price of Wall's ice creams. Seru is targeting those that want an affordable option as they can be bought by almost any ordinary income individual. Unilever also decided to seek distributors from the local population by offering two business models. Firstly, offering to provide free freezers to individuals selling Seru ice cream. Secondly offering employment as a distributor including taking over some marketing activities and taking care of the freezers (maintenance and stocking).

Unilever hoped that Seru would provide a competitive edge that they could not achieve with Wall's. It enabled them to fight both Aice and Yili while maintaining their position as a more premium brand with Wall's. As a counterattack to Unilever's Seru, Joyday decided to offer individuals the option of eco-friendly freezers as well as a chance to earn extra money, only if they sell Yili ice cream instead of their competition.

2023-

In Summer 2023, Seru has started to disappear. Currently, it is unclear whether it is discontinued or just experiencing a minor setback. There has been no press releases or reports about the future of the brand. Their last Instagram post made at the end of June 2023 only thanks customers for showcasing their sweet moments with the brand. Retailers flocked to the comment sections around August 2023 saying that the product is no longer available in their area. However, the brand has not responded to any comments, nor did they post anything online. As of 2 March, 2024 Seru is still included among Unilever's brand on their Indonesian website.

The position of Seru in Unilever's portfolio

Seru pursued a daughter-mother structure within the company, endorsed by the master brand Wall's and still carry clear identity of the heart logo. In the market, Seru was introduced as Seru by Wall's Unilever. Given the dispersed retail landscape that is over 4 million retailers present in the country bigger than Europe, Unilever hoped that endorsing the new brand with an already established one should make distribution and consumer adoption easier. Unilever Wall's has been well-known as the local market leader in the ice cream category and attaching its name on Seru would allow the new products to enjoy the positive reputation associated with Wall's products.

Seru's target market

Seru was introduced a direct response to the success of Aice's and Joyday's low-cost products, targeting the fragmented traditional trade as we can see from the communication flyers (**Picture 4**). According to Unilever's 2018 Annual Report, the brand-new ice cream was launched to expand their low-cost product range (**Picture 2**), giving more options to people in the lower-income consumer segments. Seru products were priced between IDR 2,000 to IDR 6,000 (1.3- 4 SEK). However, financial information about the brand's success was not published in consequent reports.

A press releases published in May 2019 explained that Unilever's management believes that the new brand would not have any cannibalization effects to its host brand - Wall's. Seru's price point is considered low even in the local market, distributed mainly in smaller, traditional retailers that is different from Wall's' strategy which is distributed mostly to supermarkets.

The strategy behind launching Seru

Seru by Wall's was launched as pilot project in just one area, East Java in 2018. According to a press release, the pilot project in East Java yielded positive results and Unilever decided to expand to national distribution in 2019.

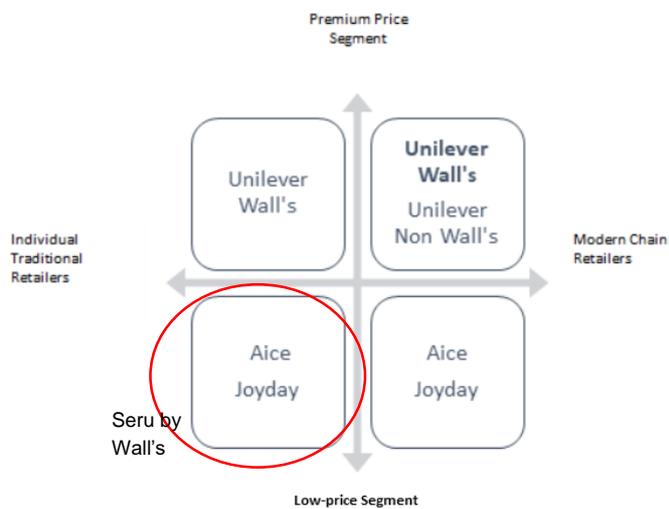
Learning from the competition

Unilever took notice of what made its competition successful and implemented a similar strategy. Besides providing low priced products available to everyone they also established direct collaboration with small, local retailers, offering multiple options for entrepreneur-spirited locals to start their own ice cream business. They used simple communication (mostly flyers and online posts) and provided clear cash incentives. They realized the importance of investing in local talent and aimed to create a community of micro-entrepreneurs, the Juragan, providing training (**Picture 5**) on ways to change their mindset on success, increasing awareness regarding the sales targets set by Seru and increase motivation to achieve sales targets.

Exhibitions



Picture 1: Seru's branding and packaging



Picture 2: Seru's positioning



Picture 3: Aice employee selling ice creams from a bicycle cart

DAFTAR JADI

PELUANG TAMBAH PENGHASILAN

Mitra Seru! BY WALL'S

PROMOSI, INISIATIF, UNTUNG, DAN RAWAT

Mitra: Toko/warung yang jual es krim ke konsumen

- Halal • Enak • Variasi yang Ngga Bosenin • Harga terjangkau 2-3 ribuan • Berkualitas, dibuat oleh Wall's dari Unilever

RP. 2000 RP. 3000 RP. 3500

JUAL SERU! BISA DAPAT **OMSET PER BULAN 1-3 JT** **UNTUNG 25%**

SYARAT JADI MITRA:

- Punya daya listrik minimal 900 watt
- Ada area sebesar 120 x 90 cm untuk tempat freezer
- Pembelian es krim dilakukan tunai
- Mau mengikuti aturan Unilever untuk jaga freezer

KAPASITAS 200 LITER

Picture 4: Flier recruiting new retailers



Picture 5: Participants of a motivational training for Seru retailers

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