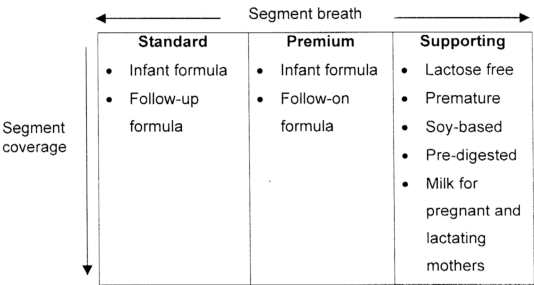


5.0 **RECOMMENDATIONS FOR INFANT FORMULA INDUSTRY**

5.1 **Product strategy**

5.1.1 **Product line extension**

Milk companies need to increase coverage of the infant formula products offered to Malaysian consumers. Companies lacking in 'supporting' products should develop certain special formulas such as lactose free, premature, soy-based, pre-digested formula, and milk for pregnant and lactating mothers. These formulas are regarded as crucial in creating awareness of company's range of products and in switching babies to core infant formulas.



5.1.2 **Product formulation**

With the fact that infant product formulations are controlled under Malaysia Food Regulations 1985, milk companies should seek 'anticipatory' information on latest nutrients in the process of being gazetted from Food Control Department, Ministry of Health. Early information in return will definitely assist the direction of new product development. However, this recommended approach will need good public relationship skill in seeking relevant information from key officers in the Ministry.

Nutritional value and benefits of infant formulas however, should not be ignored in the quest to be the first in introducing new formulas in the market.

With the price increase of skimmed milk powder in mind, infant formula companies should look into the possibilities of developing formulas which use lesser content of skimmed milk powder. On the extreme end, maybe milk companies should adopt formulas without skimmed milk powder altogether such as soy-based formulas or divert into non-milk based products.

5.2 Pricing strategy

Price level is one of the key differentiation between Standard and Premium Formulas. Although price increases in the future are unavoidable, steps to ensure that price gap between Standard and Premium Formulas that can be perceived as difference between both formulas must be taken.

In the Standard Formula segment, consumers are more price sensitive. However, as more and more consumers are getting more educated, price level has now become secondary consideration against nutritional benefits in selecting infant formulas. DUMEX for instance, has repositioned 'DUMEX value' as not the cheapest, but as the best formulas that provide the best value for a good reasonable price.

On the other hand, in the Premium Formula segment, price level plays a minor role in parent's selection of infant formulas. Pricing strategy supports the product strategy where parents perceive premium pricing to be associated with better quality formulas. 'The same price as competitor' strategy sends the message that the product is as good as the competitors. In DUMEX experience however, different pricing strategies for Mamex Infant Formula and Mamil Follow-up Formula has not been a driver for demand for this premium brand.

5.3 Promotion strategy

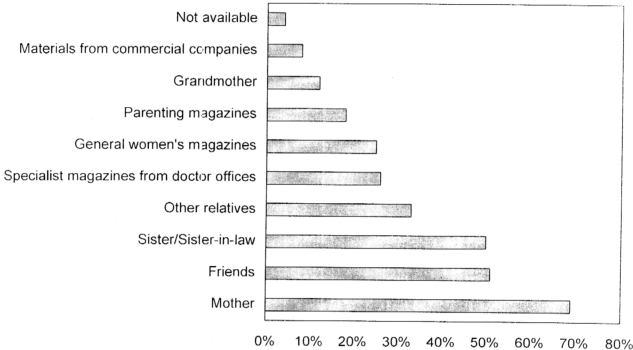
Increase awareness of the brand is the utmost priority in product strategy. On the other hand, limitations on advertising and promotional activities in infant formulas segment have constrained these activities to the very minimal.

The only alternatives to communicate with direct consumers (healthcare professionals) and indirect consumers (parents) are:

- Participation in medical exhibitions to create awareness of company as a whole
- Advertise on Growing-up milk and Full Cream Milk Powder so as to create 'spill-over' awareness on infant formula brands
- Increase visibility of brand name in the source of purchase e.g. larger shelf space for product displays
- *Word of mouth*

In regard to creating awareness through word of mouth, it has been proven that most recommendations of infant formulas come from close family members and relatives (Figure 15).

Figure 15: Sources of information
Source: Project Rattle (DUMEX, 2000)



Base: All mothers (n=306)

Even though Code of Ethics pre-empt direct contact with mothers, infant formula milk companies should not be totally constrained in their efforts of providing excellent customer services. As a matter in fact, DUMEX World and Mama World, clubs exclusive for DUMEX consumers, were developed to provide nutritional information and parenting guidance using other DUMEX products as indirect leverages for infant formulas.

5.4 Distribution strategy

Availability of infant formulas in the trade should be a key criterion for the Sales Teams of milk companies in order to reduce brand switching to other infant formulas. However, emphasis on different key points of purchases are necessary for Premium and Standard Formulas segment where Premium

Formulas should be easily located in supermarkets and mini markets in urban and semi-urban areas. Standard Formulas on the other hand, should be sold in all provision outlets in rural areas and selective supermarkets in urban areas.