Becoming a National Brand

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Memo to the CEO:

Executive Summary

- Pinkberry needs to take advantage of its first mover status
- Expansion of the firm is possible due to the product's higher quality
- Can use the following strategies
    - Establish Pinkberry as a national brand by controlled franchising
    - Advertise with a focus on health **and** flavor
    - Target health-conscious individuals as well as young crowds
    - Maintain simplicity of menu choices
    - Maintain upscale status of locations
    - Hire young motivated people
    - Provide opportunities of advancement to employees of the company

Market and Competitive Analysis

The overall market

The current level of health awareness in the United States has led to a steady increase in the number of yogurt restaurants in Southern California. This has occurred despite the fact that Southern California already experienced one frozen yogurt boom-and-bust cycle in the 1980s and '90s. With consumers seeking healthy alternatives for frozen dessert, frozen yogurt sales grew 12 percent in 2007 alone[1]. According to the U.S. Market for Ice Cream and Related Frozen Desserts, the U.S. market for frozen desserts is set to grow by more than $4 billion by 2012, with frozen yogurts attaining the strongest growth. This represents an 18 percent increase over the next five years, from the market's 2007 value of $23.3 billion across retail and foodservice. However, in spite of these promising prospects, the world of frozen yogurt is cutthroat and the growth of one vendor often comes at the expense of another.

Customer characteristics

Pinkberry and most of its new competitors are upscale frozen dessert restaurants that target young adults as well as health conscious individuals offering a variety of flavors such as tart plain or green tea-flavored yogurt, sprinkled with healthy toppings including fruits and nuts. Frozen yogurt shops are not only attracting customers who are craving an appetizing and healthy snack, but also crowds that previously hung out at Starbucks or the Coffee Bean & Tea Leaf. This can be partially attributed to their interior design, as well as the consumers' increasing appreciation for the health benefits of eating yogurt over drinking, for instance, a Frappuccino. The buying decisions of frozen yogurt customers are affected by numerous factors including the price and the cleanness and atmosphere of the store, in addition to the plethora of yogurt flavors and toppings.

Nature of competition

Frozen yogurt was first produced in the 1970s, but did not become especially popular until the 1980s and has only recently become an extremely competitive business. Yogurt shops are popping up like wildflowers, which require businesses to scout out their competitors for exotic new flavors and toppings; lawsuits have even been formed between rival stores. Although each store attempts to differentiate itself, they all have two common characteristics: the claim of being the only store with non-fat, natural, frozen yogurt and an upscale interior store design that often includes halogen lights. To be at the forefront of this mature but competitive market, frozen dessert manufacturers must continue to be innovative in order to address challenges arising from almost contradicting consumer desires. While consumers want luxury through premium products, they also desire products that are low in fat, sugar and calories.

Primary competitors

Red Mango

Red Mango is one of the main competitors in this “second wave” of the frozen yogurt fad. Although Red Mango offers similar toppings, such as mango, strawberry, coconut, granola, and various cereals, the difference is claimed to be in the frozen yogurt itself. Red Mango’s frozen yogurt is slightly tarter than Pinkberry’s, but is also much creamier. Unlike most other frozen yogurt shops, the yogurt at Red Mango, like Pinkberry’s, meets the National Yogurt Association's criteria for live and active culture yogurt. Red Mango yogurt also has less sugar than many other frozen yogurt desserts. A half-cup serving of Red Mango contains 90 calories, about 18% fewer than a similar serving of TCBY's yogurt[2].

TCBY (The Country's Best Yogurt)

In 1981, the first TCBY was opened in Little Rock, Arkansas, offering a healthy alternative to ice cream. Although TCBY grew to more than 2,700 locations worldwide, TCBY saw sales decline and stores close as competition grew and the novelty of frozen yogurt wore off in the mid ’90s. This company is returning to its frozen yogurt roots, by removing all ice cream products from the stores and instead launching a new line of yogurt-based smoothies and hand-scooped yogurt, and rolling out a modern new design[3].

Strategy

Key competitive capabilities

Ever since Pinkberry launched its first store in 2005, frozen yogurt places have been springing up across the country, clustered mainly in California. Numerous spin-offs of Pinkberry rapidly appeared following their first opening including Snowberry, IceBerry, Berri Good, and Kiwiberri.[4] Due to Pinkberry's first mover advantage, these stores were unable to achieve successes comparable to Pinkberry.

The successes of Pinkberry can be pinpointed largely to its store design and simplicity in menu choices. The décor was meticulously created to incite a reminiscence of one's childhood. Consumers are reminded of beaches or parks, places where frozen treats are often enjoyed, by the gravel floors, and the modern plastic chairs are reminiscent of the plastic toys played with as a child. Furthermore, the music played in the store is loud and energetic to bear similarities to the music of an ice cream truck that typically instills eager anticipation in a child. As said by Young Lee, one of the co-founders of Pinkberry, "The Pinkberry experience is like a childhood experience."[5]

Pinkberry's success can additionally be attributed to Lee's careful study of other successful businesses, including Apple, Starbucks, and In-N-Out Burger, where the latter led to the construction of a simple menu that exhibited and emphasized quality. In-N-Out Burger also led to making mochi, one of the toppings offered at Pinkberry, to be a more secretive topping, mimicking In-N-Out Burger's "animal style."[6] Apple's ability to deliver to people of all ages and Starbucks' success with such a simple product as coffee inspired Lee's attempt to duplicate these successes with frozen yogurt. He hoped to create, in his words, "a social gathering place," that caters to both adults and children.[5]

TCBY is another company that has been in the frozen yogurt industry much longer than Pinkberry. Yet TCBY is unable to compete on the same level as Pinkberry. Their product differs greatly in comparison to Pinkberry since TCBY's frozen yogurt is on the sweeter and creamier side, more closely resembling ice cream. On the other hand, the frozen yogurt served at Pinkberry has a notably tangier yogurt taste, making it more appealing to health conscious individuals. It is due chiefly to this reason that Pinkberry quickly became a leading competitor in the frozen yogurt industry.

Key competitive weaknesses

There are currently 72 Pinkberry stores that are mostly located in Southern California with thirteen in New York City. Consequently, Pinkberry is not well known outside of these two states and is at a disadvantage compared to rivals such as TCBY who have opened up stores all across the country.

When compared to Red Mango's and some of the other smaller rivals' menu, Pinkberry's menu may seem limited, consisting of only four flavors of yogurt style desserts: Original, Green Tea, Pomegranate, and Coffee. However, simplicity in Pinkberry's menu is part of their image. Simplicity has found success with, for example, In-N-Out's simple menu offerings. Furthermore, Pinkberry may seem a little pricey especially when compared to self-serve frozen yogurt shops that allow customers to mix and match a wide variety of yogurt flavors and toppings. Self-serve frozen yogurt shops have a good flavor selection, shorter lines, cheaper prices and can cut their costs by hiring fewer employees per store since less are needed to run self-serve frozen yogurt. Yet if Pinkberry were to implement self-serve frozen yogurt, this would dilute their image of being an upscale frozen yogurt shop and also diminish the quality of the yogurt served.

Fad Aspect of Frozen Yogurt

The initial success of Pinkberry was possible because the firm managed to portray its product as a cool dessert aimed largely at college students. This may have been the only way to enter the market, but the huge fad aspect to frozen yogurts has its dangers. The main advantage of the fad aspect is the fast and easy entry into the market. The long lines that extend far outside Pinkberry's doors in New York and Los Angeles are an indication of Pinkberry's success, even with no expensive advertising campaigns. By word of mouth, college students are flooding the stores to experience the "new" cool product. However, fast entries into the market are unpredictable, because the product has had little time to grow and develop. A product can enter as quickly as it can leave, making this the most obvious disadvantage of fad products: their instability makes them vulnerable to a transitory life. Pinkberry needs to contemplate how to make this careful transition to the establishment of the product as a stable consumable rather than merely a temporary one.

Overview

Pinkberry cannot survive if it attempts to cling to customers solely interested in eating frozen yogurt for being a fad. Once Pinkberry is no longer determined to be "hip" or "cool", their sales will decrease dramatically, and if the company is not in a good position, it has a good chance of going bankrupt. In order to be able to sustain profits in the long term, the optimal strategy is to try and establish Pinkberry as a national brand.

Being a national brand offers stability and profits on an entirely different scale compared to Pinkberry's current situation. When frozen yogurt is mentioned in conversation, Pinkberry should be the first word that comes to mind. If this can be accomplished, Pinkberry will have a strong hold on the market. In addition, when frozen yogurt ceases to be a fad, Pinkberry will still be in a prime position to continue making money.

One example of a successful national brand is the McDonald's Corporation. McDonald's is the largest global foodservice retailer, and has more than 31,000 restaurants.[7] When people think of fast food, the first restaurant that pops into their head is McDonald's. Even in these rough economic times, McDonald's has "delivered double-digit growth in operating income for the fourth quarter and the year."[7] The main reason for McDonalds continued success is due largely to the name recognition it gets, in both the United States and worldwide. Being a national brand makes it much easier to advertise the product, which will become imperative when frozen yogurt ceases to be a fad. Being a national brand can also give people the sense of better quality control. Once Pinkberry is recognized across the country, its future will be secure.

Becoming a national brand will work for Pinkberry because of the inherent advantage it has of being the first mover. An example of this is Amazon.com, which "grew to be a national brand in just a few short years. It seized first-mover advantage by getting its products and brand name first-to-market within the online book industry, thus grabbing a large percentage of market share."[8] Pinkberry is currently more recognized than other frozen yogurt places, because it entered the "second wave" of the frozen yogurt craze before other companies. If Pinkberry pushes the advantage it has and continues to grow in popularity and size, no other company can stop it from obtaining a significant portion of the national market. However, if Pinkberry sits back, content with its current niche in Los Angeles and New York, it runs the risk of being completely overwhelmed by another frozen yogurt establishment, such as Red Mango.

Strategy against small rivals

Due to the numerous small frozen yogurt stores that have sprung up across the country, Pinkberry must effectively differentiate itself. Although Pinkberry could increase their selection of yogurt flavors and toppings by introducing new tasty and exotic flavors, this would damage the simple and clean image Pinkberry has worked so hard to attain. Pinkberry should maintain its current image that made it so successful.

Most strategies related to product or store design changes can be easily copied by rivals. The only way Pinkberry can out compete its smaller rivals is by becoming a national brand and opening stores faster than its competitors. The easiest way to do this is through franchising. Franchising allows Pinkberry to expand very rapidly without investing much money of its own. Pinkberry is the most well-known name in the "new" frozen yogurt industry, and this implies that the interest level for building new locations should be high, especially compared with other frozen yogurt locations.

Pinkberry must use every possible advantage it has of being the first mover, as it can quickly lose this edge. The more restaurants it establishes and the more popular it becomes, the easier it is to convince people to invest in Pinkberry. However, Pinkberry has to be careful not to dilute its product or image. All opened restaurants must adhere to strict standards, even if this means that Pinkberry will make less money from royalties. Pinkberry must be willing to spend money now so that it can position itself to make huge profits in the future. As it gains more exposure, it needs to have a solid product to keep customers coming back, along with the upscale image that conveys excellence. If Pinkberry can accomplish this even as it expands rapidly, it can quickly overwhelm the market. One route for a rapid expansion is by opening stores mainly in areas frequented by teenagers and young adults, such as malls, movie theater complexes, and college campuses. Stores could also be placed in airports, where the selection of healthy food is typically minimal. Expansion from these types of areas to other urban and suburban locales can be expected as name recognition develops.

Strategy against TCBY

TCBY started modestly with one store in Little Rock, Arkansas, but has spread across the United States and to 20 other countries with over 1,000 locations, making it the world's largest frozen yogurt franchisor[9]. The success of TCBY stems from having products that are lower in carbohydrates, sodium, fat, and calories than ice cream. TCBY offers desserts made from 96% fat-free yogurt, as well as non-dairy and no-sugar-added frozen treats. However, Pinkberry is a superior product that not only tastes better but is also healthier. For example, one serving of TCBY's vanilla flavored frozen yogurt contains 150 calories and 9 grams of fat, whereas a serving of Pinkberry's original frozen yogurt only has 70 calories and 0 grams of fat[7,8]. Therefore, Pinkberry is capable of adopting an aggressive strategy against TCBY by out-competing their product on the basis of taste as well as healthiness. If other small rivals of Pinkberry are capable of producing a product with a similar level of quality, one option is to join forces with or acquire these stores and initiating a combined effort to bring down TCBY.

Products & Services

Product and service description

Pinkberry's menu consists of Original, Green Tea, Pomegranate and Coffee flavored frozen yogurt offered in three sizes: small (5 U.S. fl oz), medium (8 U.S. fl oz), and large (13 U.S. fl oz). Other products offered include shaved ice, with fresh fruit or green tea, and smoothies. Pinkberry desserts contain per 1/2 cup 70 calories (for Original), 90 calories (for Coffee), and 50 calories (for Green Tea), zero grams of fat, and 5 grams of sugar. Fruit toppings are freshly cut on-site such as strawberry, raspberry, blueberry, blackberry, banana, kiwi, mango, and pineapple. There are also a variety of dry toppings to choose from, including almonds, carob chips, chestnuts, chocolate chips, Cocoa Pebbles, Fruity Pebbles, coconut, mocha, yogurt chips, cookies 'n cream, granola, and Cap'n Crunch. Pinkberry has also introduced seasonal flavors such as pomegranate seeds and lychee for holiday and summer seasons[9].

Marketing and sales

Marketing strategy

Since Pinkberry targets adolescents as well as a more mature, health conscious audience, the marketing strategy should be reflective of this. One challenge that Pinkberry has to overcome is the notion of "health vs. taste". The major concern is that most Americans associate the healthiness of a product with a lack of flavor. Consequently, Pinkberry's marketing strategy should not only involve informing consumers about the health benefits of their products, but should also focus on conveying the message of "health **and** flavor". In other words, it is imperative for Pinkberry to communicate to its consumers that it holds the superior product that is not only better tasting but is also low in calories and fat. Although TCBY's reputation is already written in stone, Pinkberry, in becoming a national brand, has a chance to establish its own reputation of offering a tastier and healthier alternative.

Advertising

The advertisements for Pinkberry would be largely aimed at two crowds: health-conscious individuals and young adults, in particular college students. These audiences can be targeted through popular magazines such as Cosmopolitan, Glamour, and Seventeen as well as through limited television advertisements during popular television shows such as American Idol, Gossip Girl, and The O.C. In addition to reaching the desired demographic, these media explicitly or implicitly address personal appearances and health, a concern our desired consumer will have.

Promotions

Although Pinkberry already allows consumers to sign up to be a Pinkberry Groupie in order to receive Pinkberry updates as well as notifications on promotions, store openings, and invitations to Pinkberry events, Pinkberry should establish an exclusive loyalty program. By registering for a free Pinkberry Club card, consumers would receive Pinkberry Points with every purchase that can be redeemed for Pinkberry products. This same card could also be used as a gift card or prepaid card that can be loaded online or in the store.

Promotions can also be tied in with improving an individual's wellness, either through health or charity. For example, Pinkberry could work with national gyms to offer free or discounted frozen yogurt with membership at a participating gym as well as donations to charitable organizations with each purchase.

Operations

Pinkberry should use a well-defined hierarchy for its personnel by having all employees begin at the lowest levels and gradually ascend toward the managerial level. This not only provides motivation for the personnel to work hard but also makes advancement and the path towards success obtainable. Furthermore, this hierarchy will create incentives for some personnel to stay within the franchise and work for its image.

Another operational strategy Pinkberry could adopt is the hiring of young employees. Although many of them have little or no experience in the field, they are often the most enthusiastic and most willing to learn. Their lack of qualifications is compensated by their willingness to work for lower wages and by the use of simple-to-use, frozen yogurt machinery. The age of these employees will also contribute to the image of Pinkberry as geared toward teenagers and young adults.

Concluding Remarks

In order to fully exploit Pinkberry's first mover advantage and higher quality products, the firm should take on an aggressive expansion plan that will allow it to establish itself as a national product. This can be done by allowing franchising of stores in such a way that the quality of the product and the upscale image of the locations are not compromised. Advertising should be targeted towards health-conscious individuals and young crowds, such as college students. The latter ones are critical in order to spread the popularity of the product. Finally, highly motivated employees should be hired to make the Pinkberry experience as pleasant as possible.

Following these strategies will allow Pinkberry to compete profitably against TCBY and other frozen yogurt establishments. Additionally, these strategies will enable Pinkberry to stop relying on the fad component of the product for its success.

Appendix

Pinkberry's Nutrition Facts

pinkberry

NUTRITION FACTS

Serving Size 1/2 cup (4 fl oz)

	Calories / Ounce	Calories / Serving	Calories From Fat	Saturated Fat (g)	Trans Fat (g)	Cholesterol (mg)	Sodium (mg)	Carbohydrates (g)	Fiber (g)	Sugar (g)	Protein (g)	%DV Vitamin A	%DV Vitamin C	%DV Calcium	%DV Iron
ORIGINAL	28	100	0	0	0	< 5	50	21	0	20	3	0%	2%	10%	0%
GREEN TEA	32	110	0	0	0	< 5	45	25	< 1	20	4	0%	4%	10%	0%
POMEGRANATE	34	120	0	0	0	0	40	26	0	21	3	0%	2%	10%	0%

Pinkberry's Ingredients

ORIGINAL PINKBERRY CONVERSION

CUP SIZE	SERVINGS
S	1.5
M	2.3
L	3.8

ORIGINAL INGREDIENTS Nonfat milk, sugar, cultured pasteurized nonfat milk with live and active cultures, contains less than 2%: cultured nonfat milk powder, fructose, dextrose, natural and artificial flavors, citric acid, guar gum, maltodextrin, mono-and diglycerides, lactogylcerides, propylene glycol esters, rice starch, silicon dioxide (anticaking).

GREEN TEA INGREDIENTS Nonfat milk, sugar, cultured pasteurized nonfat milk with live and active cultures, contains less than 2%: green tea powder (with caffeine), cultured nonfat milk powder, fructose, dextrose, natural and artificial flavors, citric acid, guar gum, maltodextrin, mono-and diglycerides, lactogylcerides, propylene glycol esters, rice starch, silicon dioxide (anticaking).

POMEGRANATE INGREDIENTS Nonfat milk, sugar, cultured pasteurized nonfat milk with live and active cultures, pomegranate juice concentrate, contains less than 2%: cultured nonfat milk powder, fructose, dextrose, natural and artificial flavors, citric acid, guar gum, maltodextrin, mono-and diglycerides, lactogylcerides, propylene glycol esters, rice starch, silicon dioxide (anticaking).

TCBY's Nutrition Facts

TCBY® Nutritional Information	Gram Weight (g)	Calories (kcal)	Calories from Fat (kcal)	Fat (g)	% DV Fat	Saturated Fat (g)	% DV Saturated Fat	Trans Fat (g)	Cholesterol (mg)	% DV Cholesterol	Sodium (mg)	% DV Sodium	Carbohydrates (g)	% DV Carbohydrates	Dietary Fiber (g)	% DV Dietary Fiber	Total Sugars (g)	Protein (g)	% DV Vitamin A	% DV Calcium	% DV Vitamin C	% DV Iron
Soft Serve Frozen Yogurt	Information On Daily Values is Rounded According to FDA Guidelines																					
Golden Vanilla 1/2 Cup Serving	95	120	15	2	3%	1	5%	0	5	2%	85	4%	23	8%	3	12%	16	4	10%	20%	2%	0%
Chocolate 1/2 Cup Serving	95	110	15	2	3%	1	5%	0	5	2%	95	4%	23	8%	3	12%	17	4	10%	20%	2%	4%
Old Fashioned Vanilla 1/2 Cup Serving	95	110	5	0	0%	0	0%	0	0	0%	90	4%	24	8%	3	12%	16	4	10%	20%	2%	0%
White Chocolate Mousse 1/2 Cup Serving	95	110	15	1.5	2%	1.5	8%	0	5	2%	85	4%	23	8%	3	12%	17	4	10%	20%	2%	0%
Strawberry 1/2 Cup Serving	95	110	15	2	3%	1.5	8%	0	5	2%	90	4%	23	8%	3	12%	16	4	8%	20%	2%	0%
Cake Batter 1/2 Cup Serving	95	110	15	2	3%	1.5	8%	0	5	2%	90	4%	23	8%	3	12%	16	4	8%	20%	2%	0%
Fat Free Dutch Chocolate 1/2 Cup Serving	95	110	5	0	0%	0	0%	0	0	0%	100	4%	24	8%	3	12%	18	4	15%	20%	2%	2%
NSA Fat Free Chocolate 1/2 Cup Serving	95	80	5	0	0%	0	0%	0	0	0%	90	4%	23	8%	4	16%	6	4	8%	20%	2%	2%
NSA Fat Free Vanilla 1/2 Cup Serving	95	90	5	0	0%	0	0%	0	0	0%	85	4%	24	8%	4	16%	7	4	10%	20%	2%	0%
NSA White Chocolate Macadamia 1/2 Cup Serving	95	90	5	0	0%	0	0%	0	5	2%	85	4%	24	8%	4	16%	7	4	8%	20%	2%	0%
NSA Fat Free Peach 1/2 Cup Serving	95	90	5	0	0%	0	0%	0	0	0%	90	4%	24	8%	4	16%	7	4	8%	20%	2%	0%
NSA Fat Free Mountain Blackberry 1/2 Cup Serving	95	90	5	0	0%	0	0%	0	0	0%	90	4%	24	8%	4	16%	7	4	8%	20%	2%	0%
NSA Fat Free Strawberry 1/2 Cup Serving	95	90	5	0	0%	0	0%	0	0	0%	90	4%	24	8%	4	16%	7	4	8%	20%	2%	0%
Raspberry Sorbet 1/2 Cup Serving	95	100	0	0	0%	0	0%	0	0	0%	10	0%	25	8%	0	0%	16	0	0%	0%	0%	0%
Orange Sorbet 1/2 Cup Serving	95	100	0	0	0%	0	0%	0	0	0%	30	1%	24	8%	0	0%	16	0	0%	0%	0%	0%
Mango Sorbet 1/2 Cup Serving	95	110	0	0	0%	0	0%	0	0	0%	15	1%	26	9%	0	1%	19	0	4%	0%	2%	0%
Strawberry Kiwi Sorbet 1/2 Cup Serving	95	100	0	0	0%	0	0%	0	0	0%	20	1%	24	8%	0	0%	16	0	0%	0%	0%	0%
Classic Tart 1/2 Cup Serving	95	90	5	0	0%	0	0%	0	0	0%	21	3%	21	7%	2	8%	15	3	10%	15%	2%	0%
Peanut Butter 1/2 Cup Serving	95	130	15	2	3%	0.5	3%	0	5	2%	95	4%	26	9%	3	12%	19	5	8%	20%	2%	0%

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