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Marketing Strategy of Seagram (Thailand) Limited

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Abstract

This was a case study analysis on Seagram (Thailand) Limited. The company was a producer of several whisky brands such as Chivas Regal and Master Blend. This study analyzed the marketing strategy of the company before liquor liberalization in 2000. Qualitative and descriptive research method had been used in this study. The results showed as follows: Its marketing objective was to increase sale and income. Its marketing strategies were focused on direct sell strategy and sport marketing strategy. Additionally, the company conducted marketing mix strategy such as product, price, promotion and place (of distribution).

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1. Introduction

The Seagram (Thailand) Limited was established in 1981 with a registered capital 20 million baht. The company imported whiskies in several brands such as Scotch whisky, American whisky, Canadian whisky and so on. Well known whiskies were 100, 101 and 102 Pipers, Master Blend and Chivas Regal.

2. Objectives

The study analyzes case study of Seagram (Thailand) Limited before liquor liberalization in 2000 with the objectives stated as follows:

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- 2.1. To study marketing objectives
- 2.2. To analyze marketing strategy at company level
- 2.3. To analyze marketing mix strategy

3. Methodology

This case study was an approach for Seagram (Thailand) Limited. It was a qualitative and descriptive research method. The primary data were collected from interviewing whisky experts and persons in the whisky business while the secondary data were taken from books, researches, as well as public and private sectors' documents.

4. Finding

In 1997, the company faced with the problem of loss approximately 300-400 million baht due to an impact of floating of baht value made Techaphaiboon group which held shares 51 % (Seagram Worldwide Company 49 %) necessary to sell out shares. Therefore, Seagram Worldwide Limited holds shares 100%.

4.1. Marketing strategy

Marketing objective was described as follows:

Chivas Regal: (1) No policy on pricing competition with other brands, repeating in the leadership of premium whisky, fermentation of 12 years, good quality and good taste, (2) Increasing sales of Chivas Regal in 1996 or value of 300 million baht (Total whisky sales was 1,800-2,000 million baht).

Master Blend: (1) Make a good reputation to stick in the market in 1998, (2) To be the first in Thai whisky rank and established a principal income for the company being a subsidiary of Chivas Regal.

The company conducted marketing operation in 1992. Principal marketing used were as follows: (1) Carried out public relation, (2) Informed good product knowledge, company policies, good cooperation as well as brand image, (3) Performed augmentation of whisky sales amount, and (4) Carried out promotional and advertising consecutively.

In 1995, the company distributed only premium whisky such as Chivas Regal. In 1997, the company was faced with a problem due to: (1) Principal shareholder was Techaphaiboon group sold out whole shares, (2) Due to Thai economic crisis in the middle of 1997 and floating of baht value, the sales amount of Chivas Regal was decreased for more than 50% from 2.4 million bottles in 1997 to 1.2 million bottles in 1998. The company conducted marketing research and consumer behavior research as detailed below:

Premium whisky (Fermented 12 years): Its price was 800 baht and up. Most consumers who had high brand loyalty for whiskies such as Chivas Regal and Black Label decreased their consumption from three bottles a night to one bottle. Consumer behavior changed during the Thailand economic crisis, they drank cheap secondary whiskies in a large quantity such as Spey Royal and Blue Eagle.

The company has not done any price strategy policy in marketing because marketing management in the future would be impractical. The company undertook a new marketing strategy which was to reduce the cost of 100 Pipers. When the Thai economy began to recover, the company conducted promotion and advertising activities. In 1999, the company penetrated the market heavily by: (1) Drawing professionals to perform marketing management, and (2) Penetrating on premise or entertaining places by collaborating with leading entertaining companies in Thailand and the arrangement of whisky promotion activity at entertaining places continuously.

The company had a market share of approximately 23% while Chivas Regal had a market share of 22% of imported premium whiskies. Master Blend was vastly increased in 1999 which has amounted up to 3.12 million bottles (Table 1).

Table 1. Sale of Seagram (Thailand) Limited

Year	100 Pipers		Chivas Regal		Master Blend	
	Case	Million Bottles	Case	Million Bottles	Case	Million Bottles
1997	32,000	0.38	2000,000	2.4	-	-
1998	94,000	1.13	100,000	1.2	30,000	0.36
1999	62,000	7.44	80,000	0.96	260,000	3.12

Source: Survey and interview

Remark: 1 case = 12 bottles

The company did marketing strategy such as direct sell strategy and sport marketing strategy as detailed below:

Direct sell strategy: The company did direct sell marketing strategy to penetrate the target group. There were more than one hundred salespersons throughout Thailand as at Chiang Mai, Phuket and Nakhon Ratchasima and major traveling destination such as Pattaya and Rayong and so forth. This strategy had increased the market share and had stimulated the sales volume of Chivas Regal. Its former sales had placed Chivas Regal in the 2nd rank being a subsidiary to Black Label of Rich Monde (Bangkok) Company and after the direct sell strategy was applied, it had occasionally gone up to the first rank. In order for the sales to continue to increase, the company stressed on conducting sales and advertising activities via various media continuously and dumping of the budget for more than 10% of its sales, repeat leadership rank in the premium whisky group using the Chivas Regal as the principal income, advertising on television which has generated the reputation of Chivas Regal to be well known increasingly coupled with radio and printed materials. In addition, promotions in leading entertainment places were also being held throughout the country.

Sport marketing strategy: Strategy in drawing football games which were popular among drinkers and generated brand awareness such as 100 Pipers campaign in June 2000 by sending pieces for casting lots to watch the Euro 2000 Football matches in Belgium and Netherlands and so forth.

4.2. Marketing mix strategy

4.2.1. Product strategy

The company had whiskies that earned a high income in many brands such as 100, 101 and 102 Pipers, Seagram Master Blend and Chivas Regal. Before releasing an imported whisky, it required what taste customers liked the most. The company selected such a taste as a prototype for production abroad according to the brand that the company had. The company had also taken into consideration about consumer behavior. When the Thai economy fluctuated, the company imported new cheap whiskies with good quality in order to respond to customers' demands.

The company improved the whisky quality and conducted a research continuously. It was found that customers weighed heavily on packaged deals. The brand image was dependent on the package offered such as setting 100 Pipers together with a meal table, this would properly represent the taste of a customer. Imported whiskies were improved all the time such as taste, shape, container, promotion and advertising.

However, the company had a policy and weighed the importance of a marketing research. In 1997, the company conducted marketing research mainly and integrally on 100 Pipers and Master Blend. For 100 Pipers, taste research was conducted only in Bangkok while Master Blend was not only conducted its taste research in Bangkok but also in the major provincial cities such as Chiang Mai, Ubol Rachathani, and Khon Kaen. Master Blend was developed for Thailand market, especially improved using various formulas.

Master Blend that the company distributed in the early 1999 was a new one. It was not like the former one which was imported for blending and filling bottles in Thailand. For the new Master Blend, it was imported from Australia and was sold at a cheaper price but higher than local liquor with a price of 50-60 baht a bottle. The new Master Blend was preferred by the local drinkers because of the better taste.

In 2000, Chivas Regal reached its anniversary of 200 years. The parent company improved all packaging while its quality remained as before.

4.2.2. Price strategy

The company did not have the price strategy policy because it was not a market leader. However, in case of a severe competition, discount and new whiskies were applied. Because the company did not want to create problem about: (1) Retail price would be impractical, and (2) Destroying the brand image.

Concerning price setting, the company considered various factors: (1) Competitors, (2) Consumer's purchasing power, (3) Market situation, (4) Tax, (5) Economy, (6) Government policy. The company designed to sell with fixed prices. However in case of purchasing in bulk, discounts were given. The company sold whiskies providing credit for one month. In case of buying in cash, a discount of 4% was provided. Cash payment in Bangkok was approximately 90%.

4.2.3. Promotion strategy

The purpose of promotion and advertising was to increase sales the amount in order to maintain a high market share and to create a good brand image. The company did sales promotion in several festivals in order to scramble the market share.

The company penetrated each target groups such as the target group of Chivas Regal were group A and group B. The company arranged charity concert fair in order to help the crippled "The Glory of Love 92" 2nd during September 3-4, 1992. This was also done in order to promote the selling of whiskies, namely, 100 Pipers, Chivas Regal, Master Blend and other whiskies.

During the economic boom until 1997, there were numerous sales promotion activities. After 1997 onward, the Thai economy slowed down. It was then essential to maintain a good brand image and to keep the marketing share high. Promotion and advertising were done consecutively but stressed less on expenditures. Promotions done were casting lots, discount, exchange, distributing, providing extra gift and arrangement of trade incentive concert for shops and customers. The activities done for sales promotion were as follows:

100 Pipers: Arranged a campaign by giving a reward to watch the football Euro 2000 tournament in Belgium and Netherlands in June 2000.

Chivas Regal: Casting lots entitled "Chivas Regal Spain 92" was done as sales promotion in pubs and disco-tech throughout Bangkok in 35 locations (April 20-June 30, 1992). The reward was a visit to Spain for eight days to watch the opening ceremony of the Olympic game at Barcelona city. The total budget amounted to 10,000,000 baht. Distributed Kodak color films in the amount of 20 rolls was also done (August-September, 1992) and sent impressive photographs together with Chivas Regal draw lots activity (September-October 1992).

An arranged concert entitled "Tornado Pamella Baoden" had Chivas Regal as a major sponsor was shown in leading pubs throughout the country. The company had also arranged casting lots with a reward of a tour around the world for 13 days in the amount of 30 persons.

Advertising: The budget for advertising and promotion was approximately 10% of the sales amount. During 1987-1999, Seagram (Thailand) Limited used various media to advertise in order to add sales amount and create a product image as follows:

100 Pipers: This had begun to be distributed in 1997 without any advice. It was stressed on advertising via radio and press. In 1998-2000, television advertising was increasingly used. Advertising via newspaper was used to advertise concerning discounts, exchanges, distributions and extra gifts to be given to customers. During the New Year of 2000, there was an activity held entitled, "Song Light Contest."

Table 2. 100 Pipers Blended Scotch Whisky Advertising Budget

							(Thousand Baht)
Year	TV	Radio	Press	Magazine	Outdoor	Cinema	Total
1997	-	2,706 (72.70%)	1,016 (27.30%)	-	-	-	3,722 (100%)
1998	10,322 (95.91%)	-	440 (4.09%)	-	-	-	10,762 (100%)
1999	24,840 (90.92%)	884 (3.24%)	1,597 (5.85%)	-	-	-	27,321 (100%)
2000	18,345 (56.73%)	7,903 (24.44%)	5,702 (17.63%)	390 (1.20%)	-	-	32,340 (100%)

Source: Media Data Resources Company

Seagram Master Blend: During 1996-1999, advertisements via television were mostly done. However, during the economic crisis, all budgets for advertising were cut and in 1998, there was no advertisement done. In 1999, the company advertised Seagram Master Blend via television (Table 3).

Table 3. Seagram Master Blended Whisky Advertising Budget

							(Thousand Baht)
Year	TV	Radio	Press	Magazine	Outdoor	Cinema	Total
1996	37,914 (64.28%)	2,937 (4.98%)	15,602 (26.45%)	1,690 (2.87%)	840 (1.42%)	-	58,983 (100%)
1997	1,562 (63.29%)	-	66 (2.67%)	-	840 (34.04%)	-	2,468 (100%)
1998	-	-	-	-	-	-	-
1999	35,387 (94.08%)	2,228 (5.92%)	-	-	-	-	37,615 (100%)
2000	-	-	-	-	-	-	-

Source: Media Data Resources Company

Chivas Regal: During 1989-1990, it was emphasized on press, but during 1991-2000, advertisement were mostly done on television. In case of programs relating to casting lots, discounts, exchanges, distributions and providing of extra gifts, they were published in various newspapers (Table 4).

Table 4. Chivas Regal Whisky Advertising Budget

							(Thousand Baht)
Year	TV	Radio	Press	Magazine	Outdoor	Cinema	Total
1989	2,849 (21.67%)	57 (0.43%)	9,044 (68.79%)	1,197 (9.10%)	-	-	13,147 (100%)
1990	9,934 (35.28%)	240 (0.85%)	14,428 (51.23%)	3,064 (10.88%)	495 (1.76%)	-	28,161 (100%)
1991	17,577 (47.81%)	480 (1.31%)	11,757 (31.98%)	6,948 (18.90%)	-	-	36,762 (100%)
1992	32,499 (48.02%)	1,085 (1.60%)	26,322 (38.89%)	7,771 (11.48%)	-	-	67,677 (100%)
1994	33,889 (66.11%)	2,681 (5.23%)	7,812 (15.24%)	6,708 (13.09%)	171 (0.33%)	-	51,261 (100%)
1995	46,283 (72.38%)	3,108 (4.86%)	6,741 (10.54%)	7,282 (11.39%)	-	528 (0.83%)	63,942 (100%)
1996	29,105 (60.64%)	3,981 (8.29%)	3,588 (7.48%)	6,693 (13.94%)	4,350 (9.06%)	281 (0.59%)	47,998 (100%)
1998	12,071 (95.72%)	-	-	-	540 (4.28%)	-	12,611 (100%)
1999	26,342 (76.48%)	3,059 (8.88%)	4,704 (13.66%)	336 (0.98%)	-	-	34,441 (100%)
2000	52,087 (63.51%)	13,785 (16.81%)	11,585 (14.12%)	4,149 (5.06%)	-	408 (0.50%)	82,014 (100%)

Source: Media Data Resources Company

4.2.4. Place (of distribution) strategy

The company was a small company without agent and dealers. Channels of distribution were performed through two ways, they were:

(1) Modern trade such as trade centers, supermarkets and convenient stores calculated to be at 40%, (2) Traditional trade such as wholesaler which was calculated to be at 60%. These were delivered whiskies to hotels, restaurants and entertaining places such as nightclubs, and pubs. The sales amount of 80% for Chivas Regal was from nightclubs and bars. The proportion of whisky distributed in Bangkok and in the provinces were 45: 55 (Figure 1).

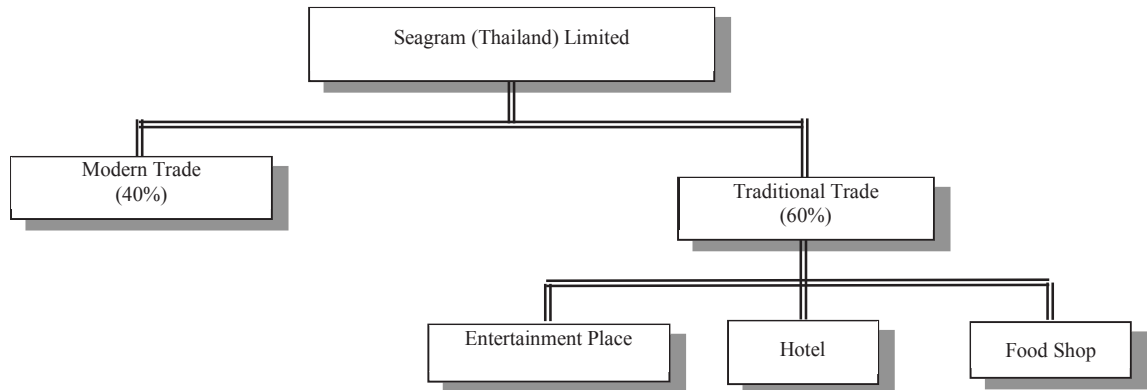


Figure 1. Channel Structure of Seagram (Thailand) Company

5. Conclusion and Discussion

Marketing activities consequently occurred. An actual whisky marketing arose in approximately in 1992 which high competition happened between two groups, namely, Seagram and Richmond. New activity of liquor market was generated by advertising which was one of marketing strategies of imported whiskies that advertising was regarded as one of mass marketing producers. A group that possessed large amount of money would use T.V. advertising medium as it could be observable that budget spent in advertising of Johnnie Walker by Richmond was in first rank among imported whiskies followed by Chivas Regal belonging to Seagram which its budget was spent in the second rank during 1989 – 1995.

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