

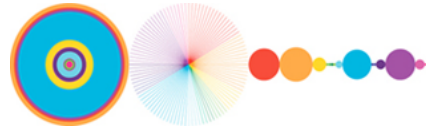
JWT

BRAND EXTENSION



Proper Coffee in an Instant

How Kenco Millicano responded to evolving consumer needs with a totally new kind of coffee



Executive Summary

This submission shows how Kenco revolutionised the coffee aisle with a brand extension that not only built on Kenco's credentials and broadened its appeal, but created an entirely new sub-category to answer an emerging consumer need.

Since 2009, Kenco has undeniably set the agenda in the UK coffee category, winning over more shoppers & driving £17.3m incremental category growth – more than any other coffee brand¹.

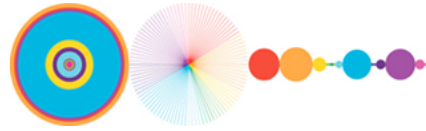
However, we understood that consumers were beginning to look for more from their coffee. Through premiumisation and migration to 'coffee-shop' style beverages, consumers were demanding more from their coffee brands. There was a major unfulfilled consumer desire and need: to combine the convenience of instant coffee with a quality and taste reminiscent of roast and ground.

Kraft Foods developed the capacity to fulfil this consumer need by developing a revolutionary new product format: Wholebean Instant. Wholebean Instant represented the first technological innovation the instant coffee category had seen in 40 years and it was more than a simple line extension; it was an entirely new sub-category of instant. Through extensive levels of consumer research, the Kenco team were able to ascertain the optimum product concept, positioning, packaging and communications campaign in order to facilitate the launch of a product that would wake up the coffee aisle.

The results were overwhelmingly positive. Kenco Millicano has driven all time high results for NPD in the soluble coffee category: £11.86m in sales, with minimal cannibalisation from the existing Kenco portfolio. We achieved outstanding penetration and repeat purchase rates and generated significant incremental category growth.

Word Count: 259

¹ Nielsen, 2010



Background

Instant coffee has not seen a great deal of innovation, or indeed news, in recent years; the last major innovation was freeze dried instant, introduced in the 1960s. When Kenco launched their freeze dried instant in 1988 it was positioned as a high quality instant because the Kenco Coffee Company had developed a reputation for high quality filter coffee. But after nearly twenty years of the same positioning, this message was lacking differentiation. Instant coffee had become a low interest purchase category, with consumers shopping on auto-pilot in what became known within Kraft as the 'coffee coma'.

Coffee tastes, on the other hand, were evolving and by 2007 in-home coffee consumption had changed radically. Two key trends were emerging in the UK coffee market: coffee shop growth and premiumisation. Coffee shops were educating customers in a superior coffee experience, which in turn has driven demand for quality coffee in the home. Despite growth in the total in-home coffee market, value sales of instant coffee actually fell in 2007 as consumers shifted spend towards more premium formats in an attempt to recreate the coffee shop experience at home.

In response to these changing tastes, Kenco has been changing too. We have taken a leadership role in reforming the coffee category through the successful launches of our Rainforest Alliance sourcing initiative in 2008 and Eco Refill pack in 2009, winning over more shoppers and driving £17.3m incremental category growth – more than any other brand.² Then, building on our long-term category vision, we found an opportunity to revolutionise the pure soluble coffee category with a truly differentiated offering that would cut through the 'coffee coma' and enable a new consumer to reappraise the Kenco brand.

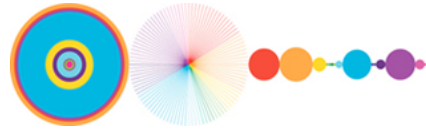
Target Audience

Coffee culture in the UK may have become increasingly sophisticated, but 78.5% of UK consumers continued to purchase pure soluble coffee.³ Almost 20% of these instant coffee drinkers were Kenco consumers: mostly hectic, conscientious mums. However, there was another kind of coffee drinker who was more aspirational in her tastes, for whom Kenco was a bit dull and distant; we called her Lyn. Lyn is ambitious; she is always driven to try new things, likes keep up with the latest trends and appearance is very important to her.

In Lyn's world, coffee acts as a social stimulant, enjoyed with like-minded friends while chatting about the things that are important to her. Lyn recognises roast and ground coffee to be superior to her everyday instant – and she is keen to offer the 'right' coffee to her friends – but there is a barrier to these formats as she lacks

² Nielsen, 2010

³ Kantar Worldpanel w/c 17.04.11



confidence in making it and dislikes the hassle involved. She still appreciates the convenience of instant, but would invariably turn to Nescafe Gold Blend.

Opportunity

By listening to our target consumers, we spotted an unfulfilled consumer need for a product that bridged the gap between the taste and image of what they called 'proper' coffee and the convenience of instant. Kenco, with its existing reputation for quality and innovation, was perfectly positioned to fill this hole. The opportunity was to create a revolutionary new product format within the pure soluble coffee category, allowing us to broaden the appeal of Kenco and make the brand relevant to a more discerning coffee consumer.

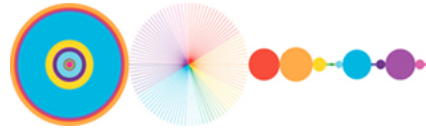
A New Kind of Coffee

Kenco Millicano is the first Wholebean Instant from Kenco – and the first new instant coffee format on shelf in 40 years. "Wholebean Instant" is a mixture of our finest soluble coffee and finely-milled wholebeans. Arabica coffee beans, sourced from 100% Rainforest Alliance Certified™ farms, are milled extremely finely before being added to the soluble coffee, prior to the freeze drying process. This combination of ordinary freeze dried coffee and finely-milled wholebeans allows us to deliver a full aroma and mouth feel that is much closer to that of a roast and ground coffee. Containing 15% microground, roast and ground coffee, it has the highest percentage roast and ground coffee in the instant coffee market at this time, allowing us to claim that it's the closest thing to 'proper' coffee in an instant. The significance of this technological advancement couldn't be overlooked; we were challenging the category norm with an innovative new format and it was vital to treat it as more than a mere line extension. Kenco Millicano was a novel, differentiated NPD that demanded its own classification in the pure soluble category.

Creating a category

The right positioning for Kenco Millicano was critical to its success and we recognised that this launch required extensive consumer understanding. We needed to establish how best to strike the balance between expressing the product concept as differentiated and breakthrough, whilst ensuring it was clearly understood.

How we expressed this concept in terms of language and reference points was paramount. It emerged that 'ground coffee taste in an instant' was a highly motivating proposition. Consumers expressed disinterest in 'microgrinds', 'mouth feel' and process detail, but we found the terminology 'wholebean' to be evocative of roast and ground quality, without confusing or disillusioning them. 'Wholebean instant' was



found to best facilitate understanding of this revolutionary product, combining the 'proper' coffee quality of 'wholebean' with the convenience of 'instant'. The long-established 'Kenco' brand name inspired trust from our consumers, while the sub-brand 'Millicano' added to their perceptions of the product as more premium and distinctive.

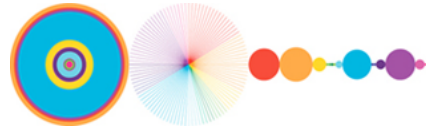
Consumers perceived the concept as 'next generation coffee' and how the product looked was as important as the name. For image-conscious Lyn, appearance is everything, so we opted to differentiate our packaging to reinforce that this was an entirely new concept for the category. We looked to the roast and ground end of the in-home coffee category for inspiration and found that the silver packaging, tin and typeface worked together to disrupt the instant coffee category norms, improving the perception that Kenco is a modern, premium instant whilst also demonstrating that Kenco Millicano is a new instant format.



Figure 1: The Kenco Millicano packaging played an important role in differentiating the product.

Creative Strategy

Capturing our target consumer's attention in a low interest category required a creative idea that created excitement about Kenco Millicano and helped her to understand the offer. We needed to demonstrate in comms that this was a better kind of instant and it should be put on a pedestal. Our various channels were therefore united by a single campaign idea that communicated the high quality of the product by making it feel more special than other instant coffees: Kenco Millicano provokes extreme adoration. Focusing on desirability was an emotive territory for Lyn, who we



knew wasn't interested in technical detail or process. In broadcast channels, this was expressed as adoration of the product, delivering the news that Kenco were launching a truly revolutionary new format. Knowing that Lyn is often swayed by the next new thing, we also needed to engage her with the brand to encourage repurchase after the promotion period. Extreme Adoration therefore extended into social channels by inviting consumers into a dialogue with the brand, sharing mutual adoration of the things they love.

Additionally, we found an opportunity for Kenco to claim ownership of this new coffee category. Comms claiming that 'each millicule is special' not only gave a memorable end-line to the Extreme Adoration creative idea, but also created proprietary language that protects Kenco Millicano against future competitors in this space.

Channel Strategy

The launch of Kenco Millicano Wholebean Instant was supported by a two-phase, £7million launch plan. Our communications plan was formulated to address two fundamental challenges:

1. How can we change our target consumer's perception & buying habits in a low interest category? Coffee is a big part of her life, but she was shopping on auto-pilot.
2. How can we fuel her understanding of 'Wholebean Instant'? We needed her to recognise that Kenco Millicano is something truly different.

We sought to address these challenges through multiple channels designed to target Lyn at different stages of her customer journey. Cementing ourselves firmly in Lyn's world acted as a guiding principle in our channel strategy, from the channels we chose to the way we portrayed her:

TV: Our launch TV campaign drove her awareness of Kenco Millicano with advertising that was unusually risqué for the category (Figure 2). We understood that the most crucial element of this campaign was helping our consumers to understand that Kenco Millicano was different, therefore prompting purchase consideration.

Print Advertising & Advertorials: Print advertising & advertorials enabled her to notice Kenco Millicano when she wasn't expecting it. Knowing that Lyn enjoys feeling part of the latest trends and movements, our advertorials allowed her to learn more about Kenco Millicano, driving her excitement of something new and truly revolutionary.

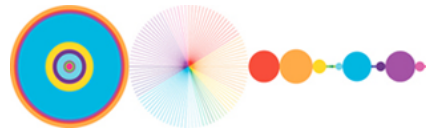


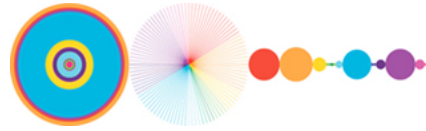
Figure 2: Our 'Passion' TVC disrupted category norms.?

Experiential Events: Experiential events & front of store sampling created a dialogue with her, bringing the Kenco Millicano brand into her world and encouraging product trial close to the point of purchase.

In store: A £1 million in store launch helped to further incentivise purchase & trial.

Customer Relationship Marketing: A targeted CRM and direct mail campaign, alongside our sampling partnership with Jamie at Home, drove brand engagement and trial within the home and social settings.

PR & Social: Our Taste Setters campaign reinforced the notion that Kenco Millicano really is the 'new must have' pure soluble coffee, encouraging her to share both Kenco Millicano and 'what she is loving right now' with her peers via social media. By seemingly positioning Kenco Millicano outside of traditional advertising space and driving advertorial content, we cemented ourselves firmly in our consumer's world, intensifying the effect of inferred endorsement.



Results

Unsurprisingly, our consumers reacted overwhelmingly positively to our news and Kenco Millicano has driven all time high results for NPD within the soluble coffee category.

The end of year results showed the effectiveness of this campaign. 50% of coffee drinkers were aware of Kenco Millicano with the Extreme Adoration campaign delivering the right messages: 84% of consumers believed Kenco Millicano would be different to their normal instant coffee and 70% thought it would be better than their normal instant.⁴ In addition to awareness-driving activity, 1 million consumers had been sampled, over 40,000 consumers engaged on Facebook, and 500k coupons distributed to help convert consumers to purchase and trial.

And our activity paid off with hard business results that surpassed our expectations. By the end of 2011, penetration had reached a staggering 10.1% (approximately 2.2m households) exceeding our full year target of 9% in just 8 months. And our sales weren't just one-off trial driven by promotion either. Although Lyn is a fickle consumer, always trying new things and often shopping by promotion, we saw 1/3 of customers repeat purchasing even after the promotional period (Figure 3). In fact, our repeat rates exceeded all of our competitors' recent NPD launches, only surpassed by our own Eco Refill pack in 2010 (Figure 4).

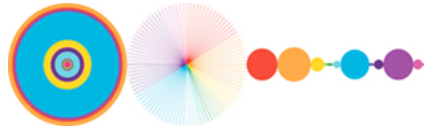
Crucially, these impressive sales figures weren't at the expense of Kenco's core offering; instead, Kenco Millicano was bringing new sales into the total coffee category, new sales to Pure Soluble, and new customers to the brand: 36% of Kenco Millicano sales were incremental to total coffee (Figure 5); 38% of sales were incremental to the category (figure 6); and an impressive 75% of sales were incremental to Kenco (Figure 7).

Kenco had become relevant to a new group of consumers. An integrated launch campaign drove significant shifts in overall Kenco brand perception among non-users (Figure 8) and impressive sales followed. Retailer responses have been similarly overwhelming and within four weeks of launch we had achieved an all-time coffee NPD high in weighted distribution of 76%.⁵

At the end of 2011, Kenco Millicano sales represented 1.5% volume share and 2.1% value share of Pure Soluble, and had contributed an astonishing £11.86m to Kenco Pure Soluble sales – again, exceeding our full year targets in a mere 8 months.

⁴ MMR, Dec 2011

⁵ Nielsen data w/e 21.05.11



MILICANO: CUMULATIVE PENETRATION AND CUMULATIVE REPEAT

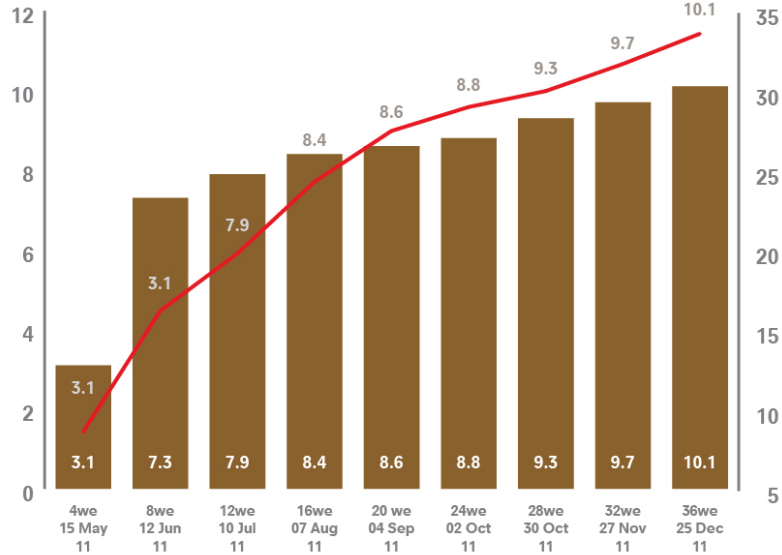
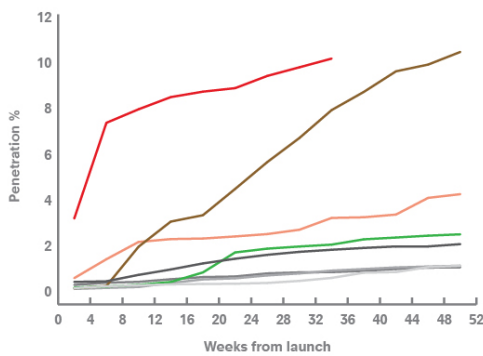


Figure 3: Repeat rates and penetration continued to increase to the end of 2011, long after the price promotions that accompanied launch (Kantar Worldpanel to w/e 25/12/11).

CUMULATIVE PENETRATION SINCE LAUNCH



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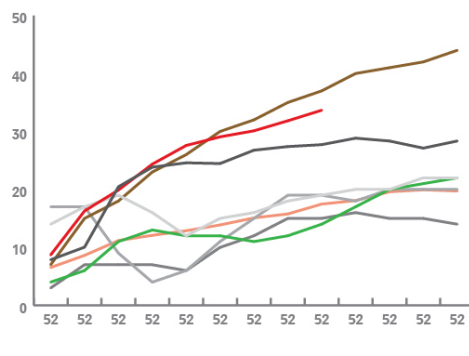
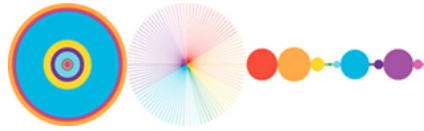
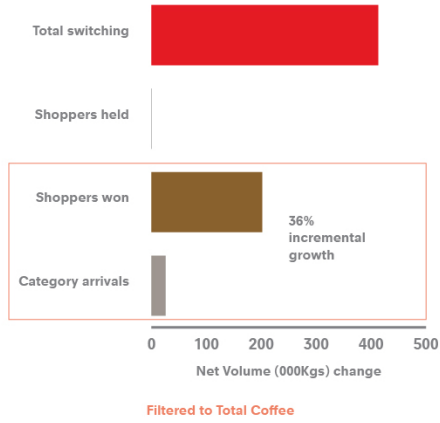


Figure 4: Kenco Milicano was still attracting more shoppers than other brands after 32 weeks; only Eco Refill had a higher repeat rate at the same period (Kantar Worldpanel to w/e 25/12/11).



SOURCE OF KENCO MILLICANO VOLUME (000KGS) CHANGE
36 WE ENDING 25 DEC 2011



SWITCHING VS. EXPECTED FOR KENCO MILLICANO
36 WE ENDING 25 DEC 2011

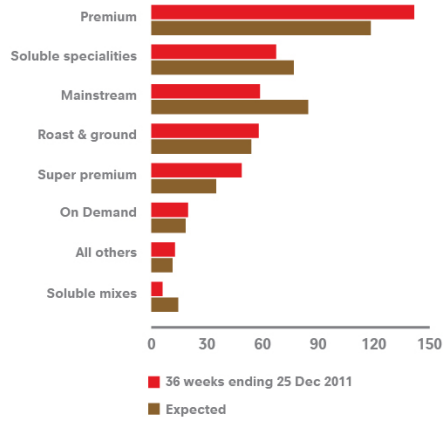
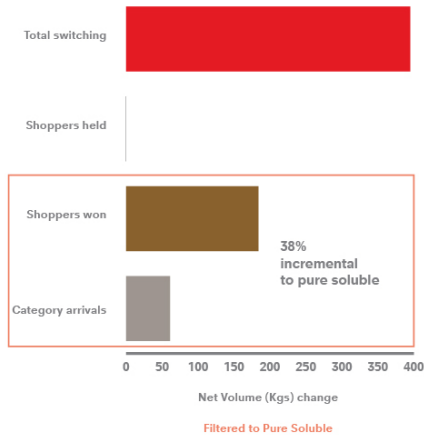


Figure 5: Kenco Millicano is growing total coffee by bringing more volume into the market (Kantar Worldpanel to w/e 25/12/11).

SOURCE OF MILLICANO VOLUME CHANGE
36 WE 25 DEC 2011 VS YR AGO



CAFE DIRECT PURE SOLUBLE

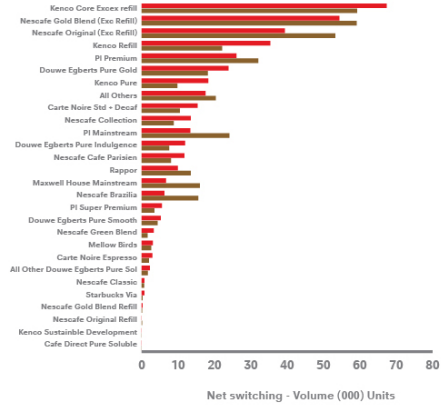
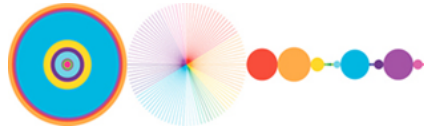
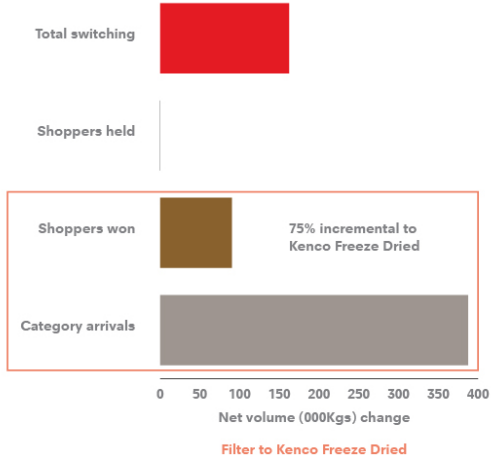


Figure 6: Kenco Millicano is winning volume from Premium and Super Premium sectors (Kantar Worldpanel to w/e 25/12/11).



SOURCE OF KENCO MILLICANO VOLUME (000KGS) CHANGE
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SWITCHING VS. EXPECTED FOR KENCO MILLICANO
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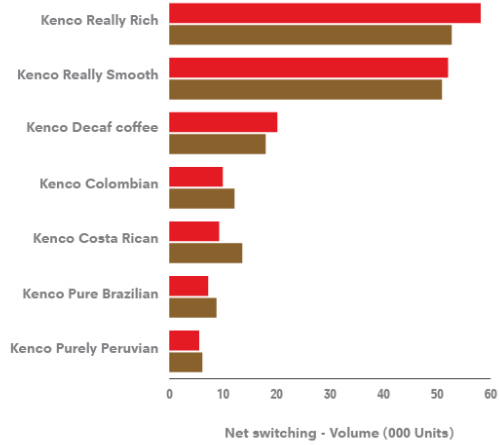
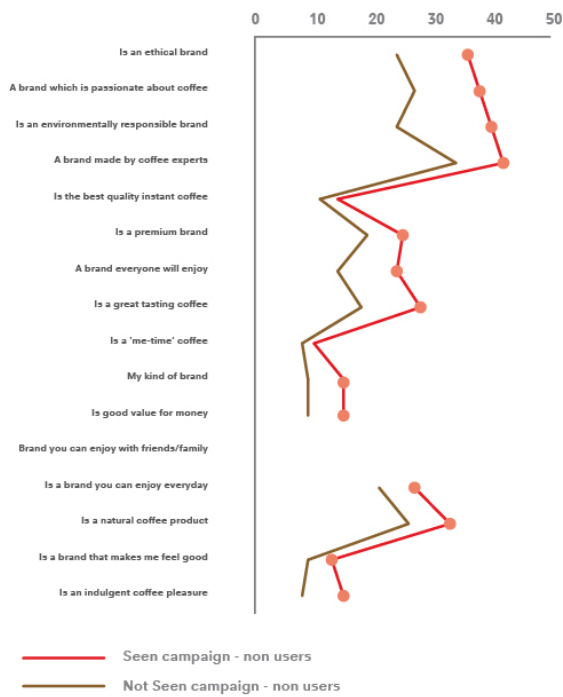


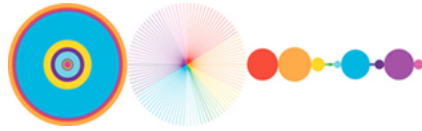
Figure 7: Kenco Millicano is expanding overall Kenco volume with 75% of sales incremental to the brand (Kantar Worldpanel to w/e 25/12/11).

IMPACT OF 'PASSION' ON BRAND IMAGE
MILICANO IMPACT ON KENCO



Base: 2010, Non regular users of Kenco, Seen Campaign (1162); Not Seen Campaign (1025);
Non regular users of Nescafé Gold Blend, Seen Campaign (273); Not Seen Campaign (1055)
● +/-95% Sig difference

Figure 8: Awareness of the Millicano campaign helped create a positive influence on the Kenco brand image amongst non-regular users of Kenco (IPSOS).

**Conclusion**

Kenco has undoubtedly been leading the way in coffee innovation. Throughout 2009 and 2010 we have driven more volume and value category growth than any other coffee brand, and the launch of Kenco Millicano in 2011 represents the next step in our category vision. Kenco Millicano has continued to grow the total coffee category, delivering value to our retailers and bringing new consumers to the Kenco brand. We haven't just launched a brand extension; we have created an entirely new sub-category within coffee – simply by listening to our consumers and answering their needs.

Word Count: 1,985