La Vie Case Study

Read the following case study and individually prepare question #1 before the workshop. You many use any resources that you have.

* Note well: If you do not print, read, and do question #1, you will not be allowed to enter the case study workshop.

Text - L'eau est La Vie (Water is Life)

Nestle (2010), Nestle Waters (2010), La Vie Vietnam (2009), Euromonitor International (2010), Vietnam News (2010), Saigon Times (2010)

Nestlé, with headquarters in Vevey, Switzerland, was founded in 1866 by Henri Nestlé and today is the world's leading nutrition, health, and wellness company. Sales for 2009 were 102 billion USD. The company employs around 280,000 people and has factories or operations in almost every country in the world. Today Nestlé is present in different markets with many different brands such as Nescafé, Purelife, Vittel, Perrier, San Pellegrino, Nestea, Nesquik, Milo, Bear Brand, Coffee-mate, Movenpick, and Maggi.

Nestlé Waters was created in 1992 and accounts today for around 10% of Nestlé's total 2 sales. It is the number one bottled water company worldwide with 72 brands and over 130 companies. With an aggressive approach to penetrate the worldwide bottled water market, Nestlé Waters entered the Vietnam market in September of 1993. Nestlé Waters officially launched its first bottled water in Vietnam on 1st July 1994 with the brand name "La Vie."

The La Vie brand was founded by Mr. Bernard Forey who discovered the water source in Long An Province and was the first beverage company in Vietnam to receive the ISO9000 Certificate. La vie is bottled at Long An and Hung Yen sources with the most advanced, fully automated technology. La Vie is a pure natural mineral water, which means that according to Vietnamese and World Health Organization's (WHO) regulations, it cannot be chemically processed. Only natural processes like filtration are allowed to bottle natural mineral water.

Originally, La Vie used only the Long An source in the south of Vietnam; however, the distribution cost was too high to distribute bottled water to the north. Therefore, La Vie invested in a new mineral water source in Nhu Quynh – Hung Yen Province, mainly to serve the northern market. La Vie always ensures its bottled water is available in all major retailers throughout Vietnam. However, the distribution channels of La Vie are unable compete with experienced companies such as PepsiCo, who distributes Aquafina to every retailer in Vietnam, even in rural areas. Nevertheless, La Vie is the leader of bottled water in Vietnam holding 23% of the market share. The major rivals are Aquafina, Sapuwa, Joy, and Vital holding market shares at 16%, 15%, 12%, and 11% respectively.

La Vie offers its natural mineral water in several bottle sizes. The most popular size is 500ml Paragraph which is widely available in small groceries, supermarkets, schools, hospitals, sport centres,

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food courts, and restaurants. This bottle size is suitable for individual consumption and convenient for on- the-go customers, dining, or practicing sports. La Vie also comes in the small bottle size of 350ml, targeting hotels and universities. The bottle is really handy and ideal for a short meeting or conference and also fits neatly into a school bag. The larger size is 1500ml and is aimed small and medium sized families because it fits well in the refrigerator. For a bigger family or groups of friends, La Vie offers 5 litre bottles which are very economical. The 1500ml and 5 litre bottles are available throughout major supermarkets. The largest bottle is 19 litres and comes in an up-side-down bottle shape to fit in water coolers. The product is ideally suited for large families and offices. Clients can order this large bottle directly from La Vie distribution centres and major water suppliers throughout the country. The latest product line of La Vie is "La Vie Sparkling" which is produced from natural gas in the water sources.

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La Vie employs standard pricing for its retailers. However, retailers and businesses are 6 allowed to set the prices based on the value being offered. Consumers may find the 500ml bottle in supermarket costing VND 3,000 but may need to spend VND 15,000 when purchasing it in restaurants or hotels. In contrast, its major competitor, Aquafina, sells the 500ml bottle at VND 2,800. La Vie is slightly more expensive than its competitors.

Bottle size	350ml	500ml	1500ml	5L	19L	Sparkling
Price (VND)	2,700	3,000	6,200	11,000	42,000	4,750

Table 1: Suggested retail price per bottle by La Vie

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After tremendous success for almost 20 years in Vietnam, La Vie realised that there is huge market space for bottled mineral water. Only 22% of Vietnamese consume bottled mineral water, 38% consume bottled purified water, and 40% of the population uses tap water. Surprisingly, market research found that price is not the driving factor for consumers who use tap water. Instead, it is the habit of purifying water at home by boiling and filtering that has been going on for generations to generations. Most of these consumers claimed that they did not know the difference between home-purified water and bottled mineral water. Instead of competing head-to-head with Aquafina, this 40% market space tends to be more attractive.

Questions – 7.5 marks each

- 1. Identify and define the distribution system employed by La Vie to distribute its products. Give a rationale for why this strategy was adopted and is appropriate for La Vie. Discuss the benefits and limitations of this particular distribution strategy. Provide an example of another company that successfully uses the same distribution strategy as La Vie. (7.5 marks)
- 2. Question will be given in class as a final exam simulation. (7.5 marks)