

## Kraft Australia explores a new frontier of customer understanding through advanced analytics.

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### Overview

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#### ■ Business Challenge

With Australian demographics changing, Kraft Australia saw the need to change its longtime branding campaign for its much loved Vegemite product. To get it right, Kraft needed a deeper and more insightful view of how consumers viewed—and used—Vegemite that it could rely on to tailor its branding message.

#### ■ Solution

Kraft engaged IBM to conduct a pioneering study of its customer base using a powerful new corporate brand and reputation analysis solution that reaches out to millions of sources of user generated content to paint a fresh picture of what its customers are thinking and saying.

#### ■ Key Benefits

- Ability to identify market opportunities at a very early stage
- Ability to detect—and respond to—threats to Kraft's brands and corporate reputation
- Ability to increase sales and customer loyalty through more targeted brand advertising campaigns



Kraft Foods Australia is a subsidiary of Kraft Foods, the second largest branded food and beverage company in the world. Established in 1926, Kraft Australia is headquartered in Melbourne and has sales revenue of over A\$650 million. The company's flagship brand—Vegemite—has long been considered an Australian national icon.

For all the diversity in the worldwide consumer products market, the most successful companies tend to have an important thing in common. They focus on continually improving the business functions that are critical to the consumer products business model, from maintaining vibrant and market-driven product development to having efficient manufacturing and a lean and flexible supply chain. Even more fundamental to consumer-products success, however, is the strength of the relationships companies form with their customers. That's why a company's brands, as the embodiment of this bond, represent the most important strategic asset for a

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— Simon Talbot, Head of Corporate Affairs, Australia/New Zealand, Kraft Australia

## Leveraging advanced analytics to achieve a breakthrough in customer insight

### Business Benefits

- Ability to identify market opportunities at a very early stage
- Greater visibility into customer needs
- More granularity in market segmentation
- Ability to detect—and respond to—threats to Kraft's brands and corporate reputation
- Ability to increase sales and customer loyalty through more targeted brand advertising campaigns

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– Simon Talbot

consumer products company—indeed the backbone of its success. In a business built on customer loyalty, brands also serve to convey the promise of a consistent and high-quality experience that customers can count on. Maintaining the integrity of this promise—and thus the strength of the brand—is a first level priority for consumer products companies and a key to maintaining and growing market share.

The billions of dollars companies spend every year on brand research and advertising attests to the continuous nature of this challenge. With demographics constantly changing and new market opportunities opening up, consumer products companies need to not only strengthen their brands, but also ensure that they are in sync with marketplace trends. It was through such an exercise that Kraft Australia ([www.kraftfoods.com.au](http://www.kraftfoods.com.au)) made an important discovery. Its hero brand, Vegemite, has been a beloved fixture in Australian households since it was introduced half a century ago. While its brand remained strong, Kraft found that a large portion of “new” Australians—such as those who immigrated into Australia—had no relationship with the Vegemite brand. Seeking to tap into this market potential, Kraft was determined to gain a comprehensive understanding of this group, and more specifically its beliefs and attitudes toward Vegemite. At the same time, Kraft was also looking to bring its longtime brand message—which featured children as “Happy Little Vegemites”—up to date with changing lifestyles, demographics and usage patterns. Kraft also understood that there were many lapsed users who had grown up on the spread who needed to be reminded of their affinity for the brand. Kraft didn’t take such change lightly. It was determined to get the deepest possible insights into what consumers were thinking and saying about the Vegemite brand and to tailor a message that would resonate most strongly with those themes. That’s when Kraft teamed with IBM.

### A window into Web 2.0

In discussing the challenge with Kraft, IBM outlined a new analytical solution—developed by IBM’s Almaden Research Center in California—that uses advanced algorithms (based on patented technology) to extract insights from user generated content posted on the Web in the form of blogs, message boards, and online news sources. IBM initially developed the solution, known as COBRA (Corporate Brand and Reputation Analysis), as a way for companies to monitor the online “chatter” associated with their brands, and thus enable them to detect and react to content messages that have the potential to adversely affect their brand and reputation. Both Kraft and IBM were absolutely convinced that the insights uncovered by

COBRA could help Kraft achieve a new level of granularity in understanding consumer attitudes around its Vegemite product. On that basis, says Head of Corporate Affairs Simon Talbot, Kraft joined IBM in a mission to make it happen. “We trust IBM because it has a deep understanding of the consumer products industry and because it understands what Kraft is trying to do with the Vegemite brand,” says Talbot. “Having this deep understanding of our goals—along with the technology to help us achieve it—is what makes IBM a unique partner.”

To begin the research, COBRA scanned 1.5 billion posts of user generated content across 38 languages, finding just under half a million mentions of Vegemite. COBRA automatically extracted the relevant information from the text and applied advanced clustering algorithms to break the content down into thematic categories. Involving a team from the Almaden Research Center, consultants from IBM Global Business Services in Australia and a team of analysts in India, IBM conducted a statistical analysis that drilled deep into the Web 2.0 data. The team’s findings shed a completely new light on what consumers around the world like about Vegemite, how they use it and its significance in their lives—all of which are important indicators of their relationship with the Vegemite brand.

### **A new view of Vegemite**

One of Kraft’s goals going into the research was to test certain hypotheses about the kind of issues it would address in its upcoming advertising campaign. An example was whether or not customers were looking for variations to the “classic” Vegemite product, and if so what they should be (e.g., new flavors, different jar sizes). One of the most basic and practical findings of the analysis was that customers were perfectly satisfied with Vegemite as it was presently constituted, hence a product line extension was not the answer. What really grabbed Kraft’s attention, however, was the fervor with which customers expressed their affinity for Vegemite, the most compelling sign of which was the propensity of these customers to express their “love” for it in their postings. Drilling down further into the COBRA findings revealed that much of the appeal of Vegemite—and the subject of much social networking commentary—related to the different ways it could be eaten. It was in this dimension of the Vegemite brand experience—uncovered by COBRA’s unparalleled ability to make sense of the largely unstructured information that makes up the Web 2.0 universe—that Kraft found the core theme of its new branding campaign.

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## **Solution Components**

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### *Solutions*

- IBM Corporate Brand and Reputation Analysis (COBRA)

### *Services*

- IBM Global Business Services
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## **Smarter Marketing**

Using advanced data mining algorithms developed by IBM researchers, Kraft Australia was one of the world’s first consumer product companies to tap into and leverage the newest, richest and most challenging source of customer sentiment—the Web 2.0 content contained in 1.5 billion blogs, forums and discussion boards. The customer insights uncovered by its path-breaking analysis were used to craft an entirely new marketing strategy for the company’s Vegemite brand.



Using the findings of its study, Kraft developed a new marketing strategy based on the different ways people eat Vegemite. In addition to providing a new theme for its advertising, this angle also provided a vehicle through which Kraft could forge a more participatory—and ultimately stronger—relationship with its community of Vegemite-loving customers. To further develop this community, Kraft created programs such as the “Vegemite Census” to identify how they eat Vegemite and an associated social networking site, all of which serve to strengthen loyalty and increase customer interaction with the brand. While Kraft believes it’s still early to judge the results of its new campaign, the company believes the new campaign was a significant factor in a recent surge in Vegemite sales. Kraft’s Talbot believes that the greater benefit of COBRA will unfold over time by giving the company the “real-world” insights into its customer base that traditional research methods, such as focus groups, cannot match. “The work we did with IBM fundamentally changed our business strategy and how we looked at our own brand.”

### Chatter matters

Kraft’s experience with COBRA is a good example of how taking the pulse of Web 2.0 “chatter” can help companies like Kraft identify and frame strategic opportunities. Beyond this, however, COBRA is also designed to serve as an early warning system by identifying potential threats to its brand and corporate reputation—in the form of negative PR, inaccurate information and even urban legend—so that they can respond in a way that is both proactive and consistent with corporate social responsibility. COBRA does so by enabling companies to receive realtime problem and event alerts, and visualize the results via user-customizable dashboard reports.

While a number of consumer products companies have embraced Web 2.0 in the way they interact with their customers, Kraft stands out as one of the very few that have begun to harvest the wealth of information bubbling up from its customer community. Talbot believes that the insights made available through COBRA give Kraft the means to serve its already satisfied customers even better. “Our customers are expressing themselves in different places, and with IBM’s help, we’ve been able to take a completely different approach to hearing and understanding what they’re saying,” says Talbot. “IBM has demonstrated its commitment to using its research capabilities to break new ground in consumer products, and to help us better serve our customers around the world.”

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