BS2 - MARKETING :

"MURPHY DRINKS LTD"

Case study Murphy Drinks Ltd

Murphy Drinks Ltd had been producing powdered chocolate drinks for over thirty years. The company was set up as the market for vending machines producing hot drinks had just begun to mushroom in the 1960s. Its first product, 'Murphy's Vending Chocolate', came onto the market in 1963.

Its success in gaining a 35 per cent share of the market for vended chocolate drinks in under five years acted as the foundation stone for the future actions of the company. Ever since 1968, the percentage market share held by Murphy's vending chocolate had never fallen below this 35 per cent mark and, at times, had risen as high as 42 per cent. Sales generated by this product were in excess of £160,000 in the financial year ending in 2003.

The success of the vending chocolate gave Murphys the confidence to develop a new product in 1969 called 'Catering Chocolate'. This was aimed at the hotel, canteen and restaurant market. Although 'Catering Chocolate' was successful in gaining a 20 per cent share of its market, the cost of developing it made Murphys cautious about attempting to launch any further products. In total, almost £15,000 was spent over a two year period in the process leading up to the product being marketed to hotels, restaurants and canteens throughout the country.

It wasn't for another eighteen years that Murphys attempted to launch a new product. This time, in response to changing tastes in the hot drinks market, it developed a low calorie chocolate drink called 'Lifestyle'. This low calorie drink was sold in sachets and distributed mainly through the larger supermarket chains. Despite its past successes, Murphys initially found it difficult to establish a firm footing for this product. However, the last two years, 2002 and 2003, had witnessed a substantial growth in the sales of 'Lifestyle' as consumer and retailer resistance to it was broken down by a series of promotional campaigns. Sales revenue in 2003 amounted to over £100,000.

Encouraged by the success of 'Lifestyle' in the retail sector, Murphys had made the decision in 2003 to launch a product line which it had been developing for a number of years. This was a range of flavoured chocolate drinks called 'Hi-lifes'. There was a high degree of initial interest from consumers in this product range, but it was too early - only six months after the launch - to evaluate its likely success.

Murphys also wanted to develop a new chocolate drink (called Bliss) and had a number of ideas which needed to be considered. However, members of the board of directors were split on this issue. Some were keen to go ahead with the new product development programme for two main reasons: first, out of concern about the falling sales of 'Catering Chocolate' and second, because they felt that now was the time to capitalise upon their recent success with 'Lifestyle'. Other members of the Board were much more cautious. Not only were they concerned about upsetting their present product mix, but there were worries about the cost of developing this product.

Table 24.4 *Cost of developing a new chocolate drink (Bliss)*

	Cost per idea	No. of ideas	Pass rate
Generation of ideas	£50	40	1 in 5
Analysis of ideas	£500	8	1 in 2
Development	£8,000	4	1 in 2
Test marketing	£13,000	2	1 in 2
Launch and commercialisation	£35,000	1	1 in 1

Table 24.4 shows the different stages involved in the development of this new product and the cost at each stage.

(a) At what stage of the life cycle were each of Murphy's products in 2003? Explain your answer. (6 marks)

(c) Other than cost, what might prevent Murphys from developing a new product? (8 marks)

(d) Examine the possible extension strategies that Murphys might use for Catering Chocolate. (10 marks)

Source: H. J+R 3rd ed. Pg 182