

# OPPORTUNITY ANALYSIS

Repositioning Vegemite in the Australian  
Market as Australian owned and operated

**Bega**  
SINCE  
1899



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2<sup>nd</sup> February 2018



# TABLE OF CONTENTS

- 1 Introduction and Company Background ..... 3
  - 1.1 Introduction ..... 3
  - 1.2 Company Background ..... 3
- 2 Situation Analysis ..... 4
  - 2.1 Market Analysis ..... 4
  - 2.2 Table 1: Macro Environment Analysis - PESTL Analysis ..... 4
    - 2.2.1 Political Analysis ..... 4
    - 2.2.2 Economic Analysis ..... 4
    - 2.2.3 Social Analysis ..... 5
    - 2.2.4 Legal Analysis ..... 5
    - 2.2.5 Environmental Analysis ..... 6
  - 2.3 Micro Environment Analysis ..... 6
    - 2.3.1 Company Analysis ..... 6
    - 2.3.2 Competitor Analysis ..... 6
      - Table 2: Competitive Market Summary ..... 7
    - 2.3.3 Consumer Analysis ..... 7
    - 2.3.4 Table 3: SWOT Analysis ..... 8
- 3 Objectives ..... 8
  - Marketing Objectives ..... 8
- 4.0 Reference List ..... 9





# 1. INTRODUCTION AND COMPANY BACKGROUND

## 1.1 Introduction

Vegemite, a dark-brown savory sandwich spread which is considered an iconic brand –something most Australians are very proud of and love.

Vegemite is a thick paste used by spreading it thinly on bread, made from yeast extract, flavoured with celery, onion and other ingredients. It is almost sugar free, fat free and vegetarian.

- The product is rich in Vitamin B (thiamine B1, riboflavin B2, niacin B3 and foliate). A 5g serving delivers 25% of recommended daily intake.
- Vegemite contains no artificial colours or flavours and is halal certified
- Vegemite is not gluten free
- Vegemite introduced a reduced salt version in 2014

As of 2017, Vegemite was returned to Australia ownership with concerns that consumer perceptions of this brand may have changed since it was purchased by US Company Mondelez in 2014? This marketing plan will review what should Vegemite do to reinvigorate itself into the Australian market and confirm its footprint as a fully owned and made brand here in Australia and how should it let it's customers know it is back in the hands of Australians.

## 1.2 Company Background

The VEGEMITE brand has a history spanning over 90 years. Its story began in 1922 when the Fred Walker Company, which would later become Kraft Food Company, hired a young chemist to develop a spread from one of the richest known natural sources in the Vitamin B group – brewer's yeast.

After months of laboratory tests, Dr. Cyril P Callister, Australia's leading food technologist of the 1920s and 30s, developed a tasty, spreadable paste. It was labeled 'Pure Vegetable Extract'.

The Fred Walker Company initiated an ingenious plan; to have the Australian public officially name their spread – VEGEMITE. In 1923, the spread graced shelves of grocers Australia wide as "Delicious on sandwiches and toast, and improving the flavours of soups, stews and gravies."

The reality was that Marmite, a thick, dark English spread, already dominated the Australian market and Australians were reluctant to even try Fred Walker's locally made product. Poor sales of VEGEMITE spread resulted in its name being changed in 1928 to 'Parwill', with the re-branding strategy being simple; "If Marmite...then Parwill."

Walker's innovative method of marketing was, however, unsuccessful. Parwill failed to gain momentum across the country.

In 1939 VEGEMITE gained official product endorsement from the British Medical Association and began advertising as a Vitamin B rich, nutritionally balanced food to their patients. By 1942, exactly twenty years after it was first developed, the VEGEMITE brand had become a staple food in every Australian.

During World War II the Armed Forces were buying VEGEMITE spread in bulk, due to the product's nutritional value, after which VEGEMITE spread was well and truly a part of Australia's history – and its heart, even leading to a song 'Happy Little Vegemites'.

Kraft became involved in a complex series of take-overs, mergers and sell-offs. At the end of 1988, Philip Morris purchased Kraft for US\$12.9 billion. The following year Kraft merged with Philip Morris's General Foods unit. Further corporate deals ensued and in 2011 the company split into two divisions, the one newly named Mondelez International becoming proprietors of several of the Australian brands, including Vegemite. (Trinca M, January 2018. Branding History of Vegemite. National Museum Australia)

Vegemite was acquired by Beta in January 2017



## 2. SITUATION ANALYSIS

### 2.1 Market Analysis

- Bega produces 22 million jars of vegemite per year in its Port Melbourne manufacturing facility.
- Bega has projected that it expects its brands to generate pro-forma net revenues of approximately AUD \$310 million and EBITDA of between AUD \$40 to AUD \$45 million in its first full year of operation.
- Bega, which is valued in the sharemarket at \$750 million after the shares surged 13 per cent on the Kraft acquisition, is spending \$460 million to gain a front row seat in the supermarket wars.

Vegemite might be a “heritage” product popular with those aged over 25 years, but this brings with it the core challenge of revitalising a product that is approaching 100 years old: how to appeal to each new generation of consumers? (Robins B, January 2017, Can Bega take on... The Sunday Herald)

### 2.2 Macro Environment Analysis (Table 1)

Analysis	Source
<p><b>2.2.1 Political Analysis</b></p> <ul style="list-style-type: none"> <li>• Kraft made Vegemite politically correct in 2010, including halal on its label to include Muslims saying that Islamic communities are proud Australians and want to eat our national icon as well – to which there was an outcry of “ridiculous” political correctness and feared the labeling as “Islamisation” of Western countries and funding for terrorist organisations</li> <li>• The halal labeling led to Middle Eastern airline withdrawing a dairy contract and the anti-halal push found favour with some Australian politicians, including Nationals MP George Christensen and Tasmanian senator Jacqui Lambie.</li> <li>• Companies like Mondelez International, which owns the great Australian spread Vegemite and Cadbury, had a fair bit of abuse but decided to act, responding in a deft and classy way under the hashtag #SpreadTheLove. It’s a product that’s both halal and kosher, and even vegetarian.</li> </ul>	<p><i>Hargreaves W, January 2010. Vegemite becomes politically correct. Sunday Herald</i></p> <p><i>Thomsen S, April 2015. Title. Business Insider briefing</i></p>
<p><b>2.2.2 Economic Analysis</b></p> <ul style="list-style-type: none"> <li>• Foreign control of Vegemite has long been a lightning rod for economic nationalists who have railed long and hard about just how many of our iconic brands are owned offshore, saying “Foreign owners mean profits flowing abroad.”</li> <li>• Australians are said to be rorted at the checkout by greedy multinationals charging vastly more than what Brits pay for the same products, which could not come at a worse time, where Australians’ standard of living has not improved since 2011.</li> </ul> <p>Asked why Vegemite is 13 per cent more expensive here, Mr Durkan said Kraft’s owner Mondelez said “Vegemite has all of the market here meaning they can effectively charge what they want for that product,” he said. “But in the UK they are up against a homegrown product: Marmite and they are offering a lower price to get into that market.”</p> <ul style="list-style-type: none"> <li>• The Vegemite brand is now in Australian hands for the first time in 90 years and has secured another 200 Melbourne-based jobs as Bega Cheese looks to diversify and tap new markets.</li> </ul>	<p><i>Robins B, January 2017. Bega cheese snaps up ... The Sydney morning Herald</i></p> <p><i>Rolfe J, June 2017. Price check. Adelaide Now</i></p> <p><i>Mc Donald A; Beitz A; Lafifi A. Bega, July 2017. Bega ties the knot. Bega district news</i></p>



### 2.2.3 Social Analysis

- In the 1950s, Vegemite spoke of Australian vitality and innocence. Today it provides a connection back to seemingly simpler times and is symbolic of the reverence for the ordinary in Australian culture. Prime Minister Kevin Rudd tapped into this when he declared in the 2007 election campaign that he was a ‘toast and Vegemite sort of guy’. Vegemite’s links to nostalgia are evident in contemporary advertising campaigns, which often hark back to the original ‘happy little Vegemites’ ad of the 1950s.

Vegemite was once used to sell the idea of multiculturalism. A poster featuring the traditional Vegemite jar with the word ‘multicultural’ replacing ‘Vegemite’ and with the slogan ‘spread it around’ was designed to promote the idea of multiculturalism as characteristically Australian and something to be encouraged.

- Some say the “Happy little vegemites” song could be an unofficial Australian anthem, but for most of us, the Happy Little Vegemite jingle is a happy memory of childhood.

Vegemite produced their catchy radio jingle ‘We are Happy Little Vegemites’ in 1954 and turned it into a television commercial two years later, gaining even wider popularity for this breakfast spread.

In the 1980s and again in 2010 this jingle made it back on to our TV screens, and a new generation of Happy Little Vegemites fell in love with the tune.

Research by Paul Rozin and Michael Siegal has gone so far to say “the enjoyment of vegemite is linked to Australian birth and ancestry... and may be the best predictor of national identity of any food in the world, as only Australians like it”.

Australians even use it to express our cultural identity. We have entertained 5,300 Australian embassy guests in Washington by serving mini Vegemite sandwiches and express our ourselves by saying “I’m a happy little Vegemite”. Past prime ministers, John Howard, Kevin Rudd and Julia Gillard have even referenced Vegemite as part of our national identity to evoke patriotism.

### 2.2.4 Legal Analysis

While there are no legal issues or constraints at this time, reference to historic concerns may assist in identifying future action or impact on market positioning.

- Australian Government was Concerned Over Vegemite’s Use In Moonshine where vegemite is reportedly being used to produce moonshine in officially dry communities. (Julian Smith/EPA/Landov).

The Sydney Morning Herald reports that the misuse of Vegemite “has been described as prolific in some areas in the Northern Territory, with reported instances of people buying up to twenty jars of Australia’s favourite spread at a time, for the brewing of homemade alcohol.”

- British news reports say the popular yeast extract Vegemite and Marmite spreads are prohibited in Denmark under legislation forbidding the sale of food products with added vitamins as a threat to public health.

Denmark’s Ministry of Food, Agriculture and Fisheries has responded to the reports by clarifying that Marmite and Vegemite are not banned, but they have not received approval to be marketed in Denmark.

*Neuman S, August 2015.  
Australian Gov. concerned  
...The two way.*

*London correspondence  
APP, May 2011.news.com*



### 2.2.4 Legal Analysis (cont...)

- The US has banned Vegemite, even to the point of searching Australians for jars of the spread when they enter the country.  
The great Aussie icon - faithfully carried around the world by travellers from Down Under - contains foliate, which under a technicality, America allows to be added only to breads and cereals.  
The US government dismissed media reports it had banned Vegemite.  
“There is no ban on Vegemite,” US Food and Drug Administration (FDA) spokesman Mike Herndon said.

*Healey K, October 2006. FDA Vegemite ban. Snoops.com*

### 2.2.5 Environmental Analysis

Iconic Australian spread Vegemite, manufactured by Kraft Foods Australia/ New Zealand, took out the inaugural agriculture and food prize as Australia’s leading environmental awards, with Kraft’s Vegemite taking home the AFGC 2009 Agriculture & Food “From Paddock to Plate” Banksia Award.  
Kraft won the prestigious award for its “Giving Vegemite a Sustainable Future” entry, which highlighted a range of innovative re-developments of the Vegemite manufacturing process at its Port Melbourne facility.

*Palmer D, 2009. Vegemite Sustainability... Australian Food News*

## 2.3 Micro Environment Analysis

### 2.3.1 Company Analysis

Three major positives:

- Vegemite has a strong consumer following amongst Australians and is seen as one of the most iconic Australian food products.
- Bega Cheese Ltd held a dominant 82% retail value share of yeast-based spreads in 2017 through the iconic Vegemite brand in Australia. (Euromonitor, November 2017. Spreads in Australia, Country Report.)
- In an evolving marketplace VEGEMITE has been a constant with consumers with it’s relatively unchanged recipe.

Three major negatives:

- Unlike it’s major competitors, Vegemite is not gluten free. This will have an adverse effect on sales as more and more consumers are turning to gluten free lifestyles.
- Due to the misconceptions that Halal foods ‘support terrorism’, Vegemite has lost consumers to competitor brands.
- Vegemite lost a portion of it’s loyal customer base when it was purchased by US company Mondelez in 2014

### 2.3.2 Competitor Analysis

There are a number of direct competitors in the market such as Ozymite, Mighty mite, Promite, Sanitarium Marmite and Nutella all of which are positioned as high threats. Beta sells Vegemite in direct opposition to this range of similar spreads that appeal to the consumer and at a competitive price – Some of these products also have the added difference in that they are not only savoury but have a range of sweetened products with a chocolate or nut base that appeal to the millennial demographic. However people have begun to question the health benefits of spreads with a high sugar content. Vegemite has to stand out among consumers as an Australian icon with a high vitamin B content which has been endorsed by the medical profession as beneficial to pregnancy and general consumption fulfilling the daily vitamin B intake requirements.



**Competitive Market Summary (Table 2)**

Competitor	Product Description	Strength/Weakness	Marketing strategy	Threat level
Ozymite	An Australian made yeast spread made with purpose grown corn based yeast	Gluten Free Australian Made		High
Mighty Mite	An Australian made yeast spread similar in texture and taste to Vegemite	Gluten free Less salty than competitors	Mighty Mite and it's parent company use a lot of youth sporting sponsorships in their marketing	High
Promite	A yeast spread with a slightly sweeter taste than Vegemite	Promite is high in sugar content		High
Sanitarium Marmite	A yeast based spread with a milder taste and is smoother for easy spreading	Even though it's an Australian product, Marmite is seen as a New Zealand product due to Sanatarium having a sister company in New Zealand which is better known.	Sanitarium market themselves a as health food and wellness company 100% vegetarian	High
Nutella	A creamy chocolate and hazelnut spread	High Sugar content, calories, carbohydrates but low fat	Appeals to the younger demographic and chocolate or nut lovers	High

### 2.3.3 Consumer Analysis

Vegemite appeals to a very wide demographic and is perceived to be a patriotic purchase by loyal consumers because of it's undeniable entrenchment in Australian culture. However, customer loyalty was adversely affected when the brand was sold to US company Mondelez in 2014. Vegemite appeals to the more mature consumer having grown up with it. Younger consumers however, facing an increasing variety of food choices, are reducing their consumption of more the mature packaged food products, including yeast-based spreads (REF: Euromonitor, November 2017. Spreads in Australia, Country Report.) in favour of sweeter chocolate based spreads, such as Nutella and healthier nut and grain spreads.



**2.3.4 SWOT Analysis (Table 3)**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Both Bega and Vegemite are established brands in Australia</li> <li>• Vegemite appeals to both very young and more mature consumers</li> <li>• The Vegemite brand is entrenched in Australian culture.</li> <li>• Vegemite is low on sugar content</li> <li>• High in vitamin B</li> </ul>	<ul style="list-style-type: none"> <li>• Vegemite packaging doesn't clearly reflect on the label that its an Australian made and owned product</li> <li>• Unlike it's closest competitors, Vegemite is not available as a gluten free option</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Build on Australian Made branding by using Product of Australia icons clearly on the packaging</li> <li>• Penetrate the increasing gluten free lifestyle consumers by releasing a gluten free version of Vegemite.</li> <li>• Further management of the Halal/Kosher perceptions in the public eye</li> <li>• Further marketing of vegemite vitamin B content as beneficial to people</li> </ul>	<ul style="list-style-type: none"> <li>• Through social media and web based advertising, Millennial consumers (aged 17 – 30 year olds) are being pressured into choosing a healthier lifestyle leading to a trend of purchasing spreads with a lower salt and sugar content.</li> <li>• Where originally there was only one yeast based product on the market, Vegemite now has to share that market with several competitors.</li> <li>• Halal branding perceptions tied to terrorist organisations</li> </ul>

### 3. OBJECTIVES

#### 3.1 Marketing Objectives

*Objective 1*

- Increase customer loyalty in the Australian millennial market (17 to 30 year olds) by 5% within the next 12 months.

*Objective 2*

- Increase product sales by 5% by developing and publishing a (minimum of) 15 page “Vegemite cookbook” by end of 2018.

These objectives were chosen because in analyzing the current state of the company and consumer market it is apparent that more Australians are trending toward purchasing Australian Made products and with Vegemite, even though the name is entrenched in Australian culture, consumer confidence in the product is diminished due to the sale of the brand to a US company and the supposed connection to terrorism (Halal), leaving the need to once again reposition itself as an Australian made and owned brand that is both nutritious and offers healthy varieties.



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