

## Tupperware adapts to serve diverse markets

PLASTICS NEWS REPORT



Tupperware VP David Kusuma is flanked by Ray Lambert, left, ExxonMobil Chemical's sales and business development manager for Santoprene Specialty Products, and Andy Switky, head of the Asia-Pacific region for design firm IDEO, during a Design Day panel discussion about innovation and global product development.

CHARLOTTE, NORTH CAROLINA (November 17, 2005) — China is a special area in Tupperware Corp.'s world map, in part because the company's usual model of direct selling to customers via in-home "Tupperware parties" had been illegal there until recently.

As an alternative, the firm has allowed entrepreneurial storefronts to open across the country to sell its products. David Kusuma, Tupperware's vice president of product development worldwide, said the company currently has almost 1,900 outlets in China, nearly doubling its number from last year.

So far Guangzhou is Tupperware's only production site in the country. About 200 employees work at the South China plant.

"The fact that Tupperware has a plant in China already helps the company out," Kusuma said. "It helps to manufacture and deliver product to the local market and helps Tupperware Worldwide to follow up on global products that are being sourced in that part of the world."

"We try to control the design and outsourcing outcomes," Kusuma said in an October 20 interview with *Plastics News* at the newspaper's Plastics Encounter trade show in Charlotte. Kusuma had just returned from a three-week trip in China where he worked with a couple of factories from which Tupperware is outsourcing.

He notes that Tupperware is just getting used to the Chinese market's preferences. The best-seller in China is expandable containers. Also, "[the Chinese] do not like to buy individual containers, but in combinations and sets," he said.

Tupperware is not yet aggressive in China with technological innovation. Most companies Tupperware is monitoring are in Japan and South Korea, he said.

Orlando, Florida-based Tupperware gets materials locally, but "only from subsidiaries or joint ventures of global suppliers," Kusuma said. It manufactures some tools in China, but only with a few long-term partners. However, it makes a lot of its outsourced products in China.

"In terms of product development, China's importance will grow in the future," Kusuma said. "We don't do product development in China, [but] we do product development for China."

### Primary channel

Tupperware differentiates itself from competitors in unconventional ways.

"There are two areas of competition. The first is the product; the second is the marketing channel. Most of our competition on the product side are not competitors on the channel side," he explained.

"We are a global, direct-selling company first," Kusuma said. "We certainly monitor companies with product categories that overlap our own, but we don't necessarily consider ourselves their competitors."

Direct selling is Tupperware's main distribution channel, with "home parties" held by distributors worldwide. In relatively new markets like Latin America, Kusuma said, direct selling is gaining much popularity.

## Diversification

Despite the emphasis on marketing channels, Kusuma said Tupperware has a strong heritage that needs to be maintained — ultimately its products.

“Our customers expect our products to be the best in quality, best in design, and last a lifetime,” he said.

In his presentation at Plastics Encounter’s Design Day conference, Kusuma underlined three current strategies: to reposition product lines, diversify categories and focus on outsourcing.

In addition to the traditional lineup of food containers, Tupperware is growing with trendy gadgets and kitchen items such as stainless-steel cookware and porcelain tableware.

Even with the portfolio expanding to glass, ceramics and stainless steel, Kusuma said plastic food containers remain Tupperware’s core business. “That’s where our expertise is.”

But he underscored the firm’s diversification, saying: “Beauty packaging business will soon account for one-third of Tupperware’s worldwide sales.”

Tupperware bought Dallas, Texas-based Beauti-Control Inc., a direct marketer of cosmetics, about three years ago. Another acquisition, currently pending, will boost the firm’s share of the beauty business once the deal closes shortly, he said. Tupperware is buying Sara Lee Corp.’s direct-sales operations, which primarily sell beauty and personal-care products in Latin America and Asia. Brand names included in the deal are Fuller, Nutrimetics, NaturCare, Avroy Shlain, Nuvo Cosmetics, Swissgarde, and House of Sara Lee.

Beauty packaging is different from food containers, Kusuma said: “It has to look good, it has to last, but it doesn’t have to last forever.”

Instead of simply adding product categories, Tupperware’s diversification goes hand in hand with innovation. The company describes its products as “low-tech” innovative applications and “smart” innovative applications. The fresh-vegetable container, which uses air pressure to balance humidity, is a good example.

The company now has two product development centers, one in Orlando focusing on U.S. markets, and one in Belgium designing for foreign markets. Tupperware closed a product development facility in Japan about two years ago, consolidating capabilities to focus better, he said.

The firm divides its world market into North America, Latin America, TEAM (Tupperware Europe, Africa and the Middle East) and Asia Pacific. Europe, its biggest market, accounts for about half of global sales.

For a U.S. company that generates 80 percent of its sales outside its home country, the outsourcing model has the general advantages of low-cost labor and market proximity. Yet, lower costs are not the sole reason to outsource, Kusuma said. Tupperware did not build its plant in Okazaki, Japan, for cost advantages, but for Japanese consumers who prefer products made domestically.

“The production costs are very high in Japan,” but it is worthwhile because the market is willing to pay the price, he said.

In Asia Pacific, Tupperware’s largest markets are Australia and Japan. The company developed a tall and thin rice dispenser to solve space problems in Japanese kitchens. In South Korea, small refrigerators are designed for making kimchi at home.

Both the Chinese and Indian markets are growing rapidly, with their own special needs and consumer expectations, Kusuma said. The popularity of stainless-steel food containers in India keeps Tupperware away from certain product categories. Although the firm makes stainless products, it cannot make them more cheaply than local Indian manufacturers.

Tupperware said outsourcing does not affect design that much, but it is hard to find qualified suppliers overseas. Some suppliers tend to trade high capital for labor costs.

“Rather than doing anything in automation and having products coming out of the end, they do not mind going with

cruder equipment and finish it all by hand," Kusuma said. "To solve the problem, partly, you need to form partnerships and bring them up to meet the specifications."

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