

Qualities of the product

Business



Nature view is a company that has specialized in dairy products focusing on the production of yogurt. It has retained its focus on organic yogurt since its inception in 1989, unlike its competitors who manufacture yogurt blended with artificial ingredients. This has enabled Nature View to cut a market niche for its products in the organic foods industry (Fleming, 2007, p. 2). Nature View as a company has to maintain a clear focus on its marketing strategies for it to retain its competitive advantage over its competitors.

Nature View's Problem

The company's predicament is a strategy that would stimulate instant increase in its revenue by above 50% in a year. Nature View seeks to shift from the already established channel strategy that focuses more on the Natural foods stores to the more competitive supermarket channel. This shift in strategy will create a problem in that it has the potential to change the company's core market and corporate image (Fleming, 2007, p. 1). Nature View's problem can be summarized as positioning, segmentation, targeting, and competitive advantage.

Positioning, Segmentation, Targeting and Competitive Advantage Positioning focuses on the image of the company. Nature View needs to identify its best suited marketing mix for it to retain its position as the preferred choice to the customer. The company will need to identify the appropriate concepts for positioning for every target segment. Nature View must then select the appropriate positioning concept, then develop it and make known the selected concept to all the relevant stakeholders (Kotler, 2003, p. 25).

A market segment is a cluster of customers who have similar set of wants (Kotler, 2003, p. 22). The main objective of segmentation is to ensure better

allocation of resources in order to attain competitive advantage (Farnsworth, 2008. p 1). Nature View has to identify and focus more seriously on its market segments. There are basically five forces that influence the viability of a market segment. The analysis of the five forces assist the company in comparing and understanding the competitive business environment (Wimalachandra, 1989, p.

1) These five forces are; the threat of rivalry within a segment, the threat of new players or entrants into the market, the threat of products which can be substituted for the company's products, the threat of an increase in the bargaining power of the customers and finally the threat of an increase in the bargaining power of the suppliers (Kotler, 2003, p. 9). Targeting follows after market segmentation. This will focus on how best Nature View targets the identified segments. The company will need to evaluate the suitability of each of the segments and then select the appropriate segments to be targeted (Kotler, 2003, p. 25).

SWOT Analysis and Industry Analysis Strengths The company's revenue has grown from \$100, 000 to \$13 million in a period of ten years. With an increase in the demand for organic foods the company's products are leading products in the organic foods market. Unlike its competitors Nature View manufactures its yogurt without artificial ingredients. This not only gives the products a better appeal to the customers but also has a longer shelf life. In event that the company shifts to the supermarket channel it will not need to increase its production plants hence will not have a big impact on current costs of production (Fleming, 2007, pp. 2-3).

The company has successfully diversified its products offering twelve flavors in 8-oz cups, four flavors in 32-oz cups, children's brands in 4-oz cups and 2-oz Yogurt packed in tubes. Innovative marketing strategies such as unconventional marketing tactics (guerilla tactics) have been successful in the marketing of its products. Nature View maintains strong relationships with leading natural foods retailers which is demonstrated by a market share that accounted for 24% of the yogurt sales through the natural foods channel.

Nature View is uniquely positioned to capitalize on the growing trend in the natural and organic foods (Fleming, 2007, pp. 3-7). Weaknesses The natural foods retailers where Nature View has more focus lacks vital sales information since they do not track sales from promotions and price discounts. Nature View sells its products through brokers who charge 4% of the manufacturer's sales for all the products sold through them, thus increasing costs to the company. The costs of advertising in the supermarket channel are prohibitive for a small company like Nature View.

The natural foods store where nature view has more focus suffers lower price elasticity than supermarkets (Fleming, 2007, pp. 4-5). Promoting the 8-oz yogurt cup sizes in order to enter the supermarket channel would require a huge budget. Sales, general and administrative expenses (SG&A) would increase by \$320, 000 annually. Entry into the supermarket channel requires the promotion of the 32-oz yogurt category which will be inappropriate since there are less chances of the customers' enthusiasm with a 32-oz category.

The marketing department was inadequate in handling the challenge in terms of resources and staff in the proposed shift into the supermarket

channel Fleming, 2007, pp. 6-9). Opportunities Yogurt earns higher revenues in the natural foods stores where customers are more informed and have more disposable income. 58% of U. S households are of the opinion that they would buy more organic foods if the prices were lower, 46% of U. S households are said to require a more diversified selection of products in the organic foods market and approximately 40% of the U. S population consumes yogurt.

The factors that influence customer purchase decisions favor Nature View. The natural foods consumers are more concerned with the health-promoting qualities of the product. The 8-oz yogurt cups are among the most popular product sizes representing 74% of total category supermarket sales (Fleming, 2007, p. 3). The company has 4 flavors in 32-oz cups represents 9% of the category sales and is growing at above 12. 5% per year. The customers for the 32-oz size represent 8% of the sales. This segment grows at 2%. The consumers at this segment are heavy-users.

There are fewer competitors in the 32-oz category and Nature View has a 45% market share (Fleming, 2007, pp. 4-7). The promotion of the 32-oz yogurt would require only 10% of the projection for the 8-oz. In both channels, the 8-oz cups are strategically placed at the eye-level in the shelves. Natural foods retailers do not charge manufacturers slotting fees. Horizon Organic' products, the major competitor have a shorter shelf life. In the event of a shift in channel, the company will not need to spend \$30million in constructing a new facility.

Supermarkets are considering attracting the higher-income, less price-sensitive customers by increasing the organic products in their stores to

attract (Fleming, 2007, pp. 5-7). Threats Prices of the organic foods are considered to be prohibitive by 67% of U. S households. The shelf size allocated to yogurt in the natural foods stores is smaller than in the supermarkets. The 2-oz tubes and the 32-oz containers are placed at the lower levels in the shelves, making them less conspicuous. The company will have to accrue extra \$80, 000 to each supermarket chain to have its products in the supermarket.

Horizon Organic, the core competitor is a national brand with a full range of organic dairy products. The threat of price concessions is real if Nature View shifts to the supermarket channel where its products will sell at 15% lower. The natural foods stores may drop nature view's brand in favor of the competitors if it shifts. Other competitors are positioning themselves to enter the supermarket channel. The natural foods stores may make similar demands as the supermarkets (Fleming, 2007, pp. 3-9). Option No. 1.

Strategic Advantages and Risks

Expansion of the six stock keeping units which will enable the company to have a conspicuous shelf presence while at the same time savings on the slotting expense charged by the supermarkets. The six stock keeping units preferred are Nature View's best selling products (Fleming, 2007, p. 6). Due its diversification in products Nature view has a competitive advantage over the competitors. Supermarkets are considering increasing the organic products in their shelves to attract the higher-income, less price-sensitive customers who shop at natural foods stores. There is a possibility of achieving a 1.

5% share of the supermarket yogurt sales per year and hence an increase in annual sales volume to approximately 35 million units. Supermarket consumers in the north eastern and western regions are more likely to purchase organic and natural foods than consumers in other regions (Fleming, 2007, pp. 6-7). Competitors have introduced new brands into the supermarkets. A major competitor is planning to enter the supermarket channel. Promoting the 8-oz yogurt cup sizes in order to enter the supermarket channel would require a huge budget and a financial constraint of \$1.2 million per region per year in advertising (Fleming, 2007, pp. 6-7).

Option No. 2 Strategic Advantages and Risks The 32-oz yogurt cups produce a gross profit margin that is above average. This is 43.6% compared to the 8-oz cups which generate 36.0%. The company has a competitive advantage in this category since fewer competitors specialize in the 32-oz yogurt cup category. The company commands a market share of 45% in this category. The costs of promotion for this category are lower (Fleming, 2007, pp. 7-8). The major risk would be a low reception of the product in the market. A competitor is planning to launch a product that would give the Nature View 32-oz cup direct competition (Fleming, 2007, pp. 7-8).

Option No. 3. Strategic Advantages and Risks The company has existing good relationships with the natural foods stores. Yogurt has a ready market in the natural foods stores. The option has better prospects of increasing profits with a projection of approximately 37.6%. Sales and marketing costs in this option are lower than in the previous two options. The growth of the natural foods channel is seven fold above the supermarket thus promising increased growth of Nature View. This option has no financial constraints as

there are no extra SG&A costs as in the two previous options (Fleming, 2007, pp. 8-9).

The consequences of the shift to the supermarket channel has not received adequate considerations (Fleming, 2007, pp. 8-9). Channel Management and Conflict Issues Involved The core role of the marketing channels is to facilitate the marketing strategies of an organization. The performance of the company is directly influenced by the quality of implementation of the channel strategy (Valos & Dubelaar, 2003, p. 1). There is a likelihood of a conflict between the natural foods channel and Nature View in the event that the company shifts to the supermarket channel.

This conflict would be created by the severance of the long standing good relations the company has had with the natural foods channel yet the natural foods channel has enabled the company to grow. There is also the likelihood of the natural foods channel replacing the Nature View brands altogether and replace it with the competitors' brands (Fleming, 2007, p. 6). This would be detrimental to the company's corporate image. Nature View sells its products through brokers, and it is possible that the brokers are not of the opinion that the shift to the supermarket channel would be appropriate.

This will generate controversial management issues between the company and the brokers. The brokers would like to see the supermarket purchase more products from Nature View without necessarily having Nature View shift to the supermarket channel (Fleming, 2007, p. 7). The shift will create a channel management problem since it will increase the SG&A costs. The logistics involved in the shift to the supermarket channel are overwhelming

to Nature View which is inadequate in meeting the resources and human capital involved (Fleming, 2007, pp.

8-9). In comparison, the natural foods channel has better prospects in terms of revenue that it can generate for the company. It sells a wider variety and at higher prices than the supermarket channel. The projected growth at the natural foods channel will create better financial prospects for Nature View. The natural foods channel is growing seven fold faster than the supermarket channel and this should be the better option for Nature View in the long term (Fleming, 2007, p. 9).

Action Plan Nature View will need to build on the SWOT analysis by building on its strengths, exploiting the opportunities in the market, while at the same time dealing with the weaknesses and threats. Nature view has several strengths that would make it achieve a competitive advantage in the dairy products industry. Unlike its competitors Nature View manufactures its yogurt without artificial ingredients. The company has successfully diversified its products and this will enable the company retain a competitive advantage in the market.

The innovative marketing should continue being implemented as they have been successful in the marketing of its products. Natural view is currently uniquely positioned to capitalize on the growing trend in the natural and organic foods (Fleming, 2007, pp. 2-7). There are several opportunities Nature View possesses in the industry. Yogurt earns higher revenues in the natural foods stores where customers are more informed and have more disposable income. The factors that influence customer purchase decisions

favor Nature View. The natural foods consumers are more concerned with the health-promoting qualities of the product.

The 8-oz yogurt cups are among the most popular product sizes representing 74% of total category supermarket sales (Fleming, 2007, p. 3). There are fewer competitors in the 32-oz category and Nature View has a 45% market share (Fleming, 2007, pp. 4-7). Supermarkets are considering increasing the organic products in their stores to attract the higher-income, less price-sensitive customers (Fleming, 2007, pp. 5-7).

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