

Golden valley
microwave foods inc
essay sample



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Microwave ovens began entering U. S. households in the 1970s. By 1993 it was estimated that 85 percent of U. S. households had microwave ovens and almost 92 percent of consumers 55 and older used them. As microwaves became more common they began to appear in away-from-home locations such as workplace cafeterias, dormitories and hotel rooms. Current estimates indicate that microwaves are present in 40 percent of Japanese homes, 30 percent United Kingdom homes and are the fastest growing home appliance in Western Europe.

The increasing popularity of microwaves, coupled with the fact that Americans were always looking for a convenient meal, led food manufacturers to develop and introduce microwave food products to the market. The results were disappointing. Consumers would purchase the product initially but would not repurchase because of disappointing cooking results. Quality microwavable foods were difficult to manufacture.

In 1971 Jim Watkins joined the Pillsbury microwave food research and development team. The team soon discovered that Pillsbury's management did not have the same enthusiasm they did, and when Pillsbury refused to focus its efforts on the microwave food market, Jim left and started his own company.

Golden Valley Microwave Foods Inc. was founded in 1978 on Jim's strong belief that every American family wanted to cook entire meals in a few minutes. At first, Jim contracted an outside company to produce frozen dinners under the Golden Valley Microwave Food name. The frozen dinner

venture failed due to lack of formal distribution channels, a new product from an unknown company, and minimal marketing.

Jim Watkins decided that the failure was not due to the product and market; it was due to the mode of distribution. Supermarkets were too competitive for a small new company to penetrate the market. Jim switched his marketing arena to vending machines. Upon further study, Jim decided that microwave popcorn would be a great product to have available in vending machines. The first popcorn he introduced was a frozen version, which was sold in vending machines and through mass merchandisers. Today 90 percent of the \$140 million in revenues comes from microwave popcorn sales; the remaining 10 percent of revenues come from its morning line of microwavable foods.

Repeat sales are essential to Golden Valley's future. To ensure that their customers are satisfied Golden Valley's products must have technology, quality, price, and convenience attached to them. Golden Valley's management believes that the key to growth is to offer products for low wattage microwave ovens. Their strategy is to find new markets for their current products, and develop new products for its current and future markets. To achieve these goals GVMF formed a joint venture with ConAgra to produce and distribute french fries.

Microwave food quality: The food industry in general has not had good luck producing microwave food items that are high in quality. Repeat purchases have not been generated because consumers were not satisfied with the results. There were times when the food was not cooked through and other

times when it was overcooked. Many items cooked in a microwave oven did not have the same golden brown look, or the same crispness as food baked in a conventional oven.

Distribution Channels: We do not know how strong Golden Valley's distribution channels are however, they appear to be weak. A strong distribution channel is essential to survive in a market as competitive as this one.

Supermarket Sales: It is very difficult for a new product to enter the food market. Supermarkets are highly competitive and very difficult to penetrate. Golden Valley tried selling its product in supermarkets and failed. They have since achieved strong sales in the microwave popcorn market but have not re-established their products in the supermarkets.

Packaging: The packaging of microwave foods is difficult. Often the package affects the cooking of the food as well as the taste. The food containers must be able to withstand the heat of the microwave without catching fire or becoming too hot. In the past consumers have been burned by containers that overheated when placed in a microwave oven. Microwave containers have also been known to break or explode while cooking causing the contents to spill.

Joint venture with ConAgra: Microwave french fries represent a \$60 million market. Because of this GVMF saw a great sales potential and entered into a joint venture with ConAgra. However, two other companies take most of the market share for this product. Although french fries are largely a restaurant item, GVMF plans to package them as single servings. GVMF ' s packaging

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for popcorn was superior over other popcorn packages, it is not known if the same will hold true for the packaging of french fries.

GVMF is counting on being able to manufacture french fries that will be golden brown after microwave cooking. No tests have been performed to prove or disprove their intentions. Also GVMF has not stated what markets they intent to target with this product and how they plan to distribute it.

The venture with ConAgra is vague, and does not state which company is responsible for which parts of the research and development, production, distribution, market analysis. Do each of these companies have the necessary qualities and strong points to make this joint venture a good move for each company?

Financials: There is no financial information available concerning product profit. I will assume that the microwave popcorn is producing the majority of the company's profits and that the company is in good financial health.

Consumers: Although U. S. consumers are spending \$55 million in the fast food market, they were spending very little on food designed for the microwave oven. Most of the microwave oven food sales come from snacks and occasion foods. Supermarkets are disappointed in microwave food sales and are reluctant to use shelf and freezer space for new unproven products.

Market Segmentation: GVMF hasn't done any market segmentation research. It is unknown if any or all of GVMF's products are reaching the different consumer groups that would purchase their products.

International Sales: Although there has been some research completed on the use of microwaves in foreign countries and the consumption of popcorn, GVMF has made no plans to enter these markets.

Product Line: GVMF microwave popcorn has been very successful however, they only market one kind.

Low Sales: GMVF's breakfast line is not a big seller.

Marketing Plan: Golden Valley does not have a marketing plan. A formal marketing plan brings employees together to form a cohesive work environment in which all employees work to achieve common goals.

Economies of Scale: Economies of scale have been difficult to reach in the production of microwaveable foods. Past experience has shown that the quality of the product diminishes as the production increases.