

Kayem foods, inc

[Business](#), [Industries](#)



Executive Summary

Problem/Issues

Matt Monkiewicz, director of marketing for Kayem Foods, Inc., is challenged with a decision pertaining to a small but fast-growing product, Al Fresco chicken sausage. The product has become a brand leader in its market niche, and means on how to promote the product is in question. A “buzz” marketing campaign was recently used, and while the company did increase in sales, there is no way to directly calculate the effect the campaign had on the product.

Mr. Monkiewicz would like to continue to use the “buzz” marketing approach, but supermarket executives and food distributors are unwilling to increase buying and support for the brand. They do not believe that this small marketing campaign is solid enough to increase buyer recognition and increase sales. Customers have remarked that the product is hard to find in stores, and some cannot find it entirely and have to visit other locations.

Analysis

The sausage market, while growing, has several competitors who dominate the market.

Al Fresco chicken sausage has become the number one brand in its market niche, but buyer power is high due to the low price and similarity of the product. Kayem Foods Inc has primarily sold through supermarkets and other retail food stores in the Northeast. In the last two years, it had made a concerted effort to obtain distribution in the Midwest and the Southeast. Kayem has two different communication needs. First, they need to convince

retailers that their product has a stable top of the market demand and that current pricing creates a large profit potential.

This objective can be achieved by devoting money to print advertisements in food magazines, and by allocating money to trade advertisements which depict the success the company has currently seen with the Al Fresco product. Monkiewicz used Al Fresco's high recent sales increases to secure a \$185,000 advertising budget for FY 2006. His perceived marketing options include spending \$75-72,000 on another Buzz campaign, which supermarket executives do not believe is an adequate marketing campaign for the product. Another possibility is running trade advertisements to entice more retailers to sell Fresco's chicken sausage (minimum cost of \$80,000).

The company has evaluated the possibility of running no less than 2 or 3 print ads in specialty food magazines; this would be a cheap way to get circulation to the target market. A final alternative would distribute consumer price-off coupons at a minimum cost of \$90,000. On top of the advertising venues chosen, an informative website that provided, product history, flavors, recipes, and product locations would be beneficial.

Recommendations

Kayem Foods, Inc. should use the budgeted \$185,000 promotional dollars to run a series of "trade advertisements" that would cost \$80,000.

They should also run two ads in both Food and Wine and Cooking Light food specialty magazines which would cost \$39,765 and \$57,840 and would be seen by 5.4 million people. They should also launch an informational website that would help build product awareness. Use of these three

<https://assignbuster.com/kayem-foods-inc/>

advertising avenues helps resolve the problems the Al Fresco brand currently faces; a new, largely unknown brand to consumers, supermarket managers have been reluctant to offer the brand considerable, if any shelf space due to doubts of stable demand.

Problems/Issues

Matt Monkiewicz, director of marketing for Kayem Foods, Inc., is challenged with a decision pertaining to a small but fast-growing product, Al Fresco chicken sausage. This product, though small, has become the number-one brand in its niche market. The company had recently implemented a “buzz” marketing campaign for the product. This is a unique technique for using a word-of-mouth advertising venue. Monkiewicz did not initially have a substantial marketing budget adequate enough to make a substantial impact using traditional media. “Buzz” marketing, gave him the means to promote the brand on a small budget but still have an impact on his target market. According to ACNielsen, Al Fresco had become the number-one-selling branded chicken sausage in the United States by late July 2004. However, it was not clear whether this was due to the buzz campaign or to other marketing activities implemented by the firm. Prior to the campaign, the brand had developed substantial momentum with a minimum of advertising support. Also, during the campaign period, the sales force had made a special effort and offered special discounts and allowances to obtain new distribution.

The sales increase by the brand was very impressive, but it was not clear how much more growth Kayem could expect from this rather unusual

marketing tactic. Monkiewicz explained that it would be a challenge to sustain the growth and increase market share with such a limited marketing budget. Even with substantial growth of the product, the company has continued problems with supermarket executives and food distributors still unwilling to increase buying and support for the brand. They do not believe that this small marketing campaign is solid enough to increase buyer recognition and increase sales.

This placed a major dilemma for Kayem Foods and Al Fresco. They would like to continue to use the “buzz” marketing approach, but there is no way to justify and link the increase in sales with the campaign. The big issue now is getting supermarket executives and distributors to be confident with the product to increase shelf space and brand recognition. This is very important because seventy-two percent of the BzzAgents reported that they had had difficulty finding the product in the supermarket. This meant that they had to either ask the store manager for the product or go to a different store.

Twenty-three percent were never able to find the product. Monkiewicz has two weeks to decide how to implement an upcoming market strategy for the product. He would like to implement another “buzz” marketing campaign in 2005, but since this strategy is not wielded well by supermarket executives, he has to look at other venues. Some alternatives he could look to with the advertising budget include; limited magazine advertising, consumer coupons, or more point-of-purchase material. Monkiewicz has also considered an advertising campaign in supermarket trade magazines aimed at retail food buyers and merchandising executives.

Situation Analysis 5 Forces

Upon reviewing the five forces model for Al Fresco, it is noted that competition is pretty high in the industry. Total category sales for the chicken sausage segment were about \$75 million per year. The market is growing at about 12 percent a year. This is a growing market, with a few large brands, and rivalry is high. Al Fresco possesses a small 5.3 percent of the market in the New England area. Because the chicken sausage category is small, it is difficult to obtain many specifics about competition. Buyer power is moderate to high, due to the fact of low switching cost and ease of access to the product.

Buyers can be brand loyal, which is a benefit to some companies in the industry. Tying in with the high buyer power is the high power of substitutes. Consumers on average spend \$16.95 annually per year in the target market, when compared to the food industry is not very much. The sausage market can be seasonal, with price promotions and coupon discounts during these periods can be very high. This can lead to shelf space being a big factor because if a consumer cannot find their desired product, they can easily purchase a similar product for a similar price.

The barrier to entry is low in the market due to the fact of establishing a high-quality product at a reasonable price with good shelf space and advertising. Supplier power is also low due to the fact that the low priced products in the industry are located in all major grocery stores. S. W. O. T. Strengths In 1999 Kayem introduced the Al Fresco brand. The firm believed if

they could have a well-recognized “ demand brand,” it could potentially obtain higher prices and better margins and open doors in new markets.

By late July 2004, Al Fresco had become the number-one-selling branded chicken sausage in the United States. The product was offered with high quality, healthy attributes, freshness, and distinctive flavors. Al Fresco chicken sausage has 75 percent less fat than traditional pork sausage and is available in seven flavors. Sales have increased significantly for Al Fresco chicken sausage. In September of 2003, they posted sales of \$197, 000 and in October of 2004, that number rose to \$575, 000. Weaknesses Though Al Fresco has been prosperous in recent years, Kayem’s profit margins have been eroding.

The gross margin for the company had been declining for several years due to supermarkets gaining “ power” through consolidation and demands for greater discounts and promotional allowances from suppliers. With this, Al Fresco has been asked for more price-oriented promotions. This could be a possible benefit for the company but would cost about \$90, 000 to be effective. The target market for Al Fresco chicken sausage is the 25- to 54-year-old woman who was health-conscious. This is a good niche market, but it makes Al Fresco cater to this niche instead of advertising to an entire population.

Opportunities

Kayem Foods Inc has primarily sold through supermarkets and other retail food stores in the Northeast. In the last two years, it had made a concerted effort to obtain distribution in the Midwest and the Southeast. This market

expansion could lead to vast growth for the company if it takes hold of market share in these regions. The chicken sausage segment is small, with category sales about \$75 million per year, but the market is growing at about 12 percent a year. With the new perspective advertising campaign, Al Fresco has the potential to capture additional market share.

Since sales of Al Fresco had been increasing significantly, the advertising budget was increased to \$185, 000 for the fiscal year 2006 (March 1, 2005-February 28, 2006). This allows Monkiewicz with new possibilities for advertising and reaching a broader customer base. The company should use this to increase demand from supermarket executives, to provide better shelf space for the product. Monkiewicz would like to continue to use the “buzz” marketing campaign. Rob Walker wrote an article in the New York Times, explaining how effective this campaign was. Appendix) One agent related. “I told everyone that they were low in fat and so much better than pork sausages. ” The article relates how effective “ word of mouth” advertising can be. Threats Al Fresco has faced a few problems along the way. During their “ buzz” marketing campaign, seventy-two percent of the agents reported that they had had difficulty finding the product, while twenty-three percent were never able to find the product. This is unacceptable in the marketplace and Al Fresco must convince the supermarkets to carry the product and give it adequate shelf space.

Though Monkiewicz liked the “ buzz” campaign, it was hard to track and justify just how effective an advertising campaign it was. This is threatening

because supermarket executives are timid to demand the product if this is the only kind of advertising the company partakes in.

Sausage Market

Consumers of sausage products pned all national regions and income levels. Accordingly, the sausage products were used for both main entree's and complement to other center-plate dishes for all three main meals of a day. Retail sales of all sausages tallied \$2. billion in 2003. This total includes Al Fresco's product segment, specialty sausage, which had a 20%, or \$4. 8 million in sales, and was currently the fastest-growing segment. Increased sales were linked with a shift in consumer preference for differentiated products that added a variety to their menus, or were lower in fat content. Concurrently, Al Fresco's chicken sausage was part of a market segment of low-fat/lean sausages which made up 19% of all sausage sales.

Communication strategy

Kayem has two different communication needs. First, they need to convince etailers that their product has a stable top of the market demand and that current pricing creates a large profit potential. This objective can be achieved by devoting money to print advertisements in food magazines, and by allocating money to trade advertisements that depict the success the company has currently seen with the Al Fresco product. Ads in food magazines will also help achieve the second communication goal, stimulating primary demand in consumers, by introducing them to not only a new product segment but the most popular product in that market.

Supermarket executives have recommended that Kayem advertises in specialty food magazines. Through this type of method, consumers should be encouraged to deepen brand loyalty. Due to the niche market of chicken sausage, consumers may not need a sales promotion as often as in larger, saturated market segments. Running advertisements in specialty magazines allows a company to easily target desired geographic and demographic segments. Magazine ads are thought to have both high credibility and prestige. Plus, this method of marketing has a longer life span than many other mediums (TV, radio, telephone).

In essence, though Kayem would be out the entire expense of running advertisements in the current fiscal year, sales spurred by these investments may be realized in months or even years to come. Out of the possible types of advertising goals, the persuasive approach is most in line with both Kayem's marketing goals and the potential customers reading cuisine magazines. The company can create liking, preference, and conviction for readers to buy their sausage by highlighting its flavor, freshness, and more importantly healthy composition in comparison to other sausage alternatives.

They currently have very low brand awareness which could be alleviated with vast advertising campaigns. This method also works best when consumers are processing the advertisement in a detailed, analytical mode. This description fully fits the reader of a food magazine that is seeking new recipes and/or foods. Point-of-purchase (P-O-P) communication is not the most effective use of Kayem's promotional money at this time. The

company's current dilemma involves convincing more retailers to buy/stock their items on shelves. This problem should be tackled before the same retailers are asked about in-store promotions.

Analysis of Alternatives

Monkiewicz used Al Fresco's high recent sales increases to secure a \$185,000 advertising budget for FY 2006. His perceived marketing options include spending \$75-72,000 on another Buzz campaign, running trade advertisements to entice more retailers to sell Fresco's chicken sausage (minimum cost of \$80,000), running no less than 2 or 3 print ads in specialty food magazines, and distributing consumer price-off coupons at a minimum cost of \$90,000. Monkiewicz must decide if BzzAgent's previous campaign generated enough sales to warrant spending an additional \$75,000 on a second campaign in FY 2006.

Due to other promotional activities that occurred simultaneously with the first campaign he is unable to determine how many incremental sales the program created. Kayem's own sales representatives claimed that they were unable to get additional placements or expanded shelf space due to the buzz campaign alone. The cost per "buzz" (conversation/ activity involving Al Fresco) was calculated to be almost \$4.24. The new campaign would have a unit breakeven of 62,500 packages. While this advertising approach does disseminate relevant literature there remains no clear way to track generated sales.

Growing negative market sentiments of BzzAgent's techniques may also hurt the image of the company if consumers become aware that they use this

form of advertising. Another drawback is the fact that Kayem must rely on unpaid employees of another firm to handle their promotions. A second option costing at least \$80, 000, involves Kayem running a series of “ trade advertisements” directed at convincing retailers that their chicken sausage is in high demand and can be sold with high-profit margins. This alternative has a unit breakeven of 66, 667 units.

Although past efforts have lacked the intended success, Kayem must address the limited availability of their product. Producing the leading brand of a product in a market segment that has quickly expanded gives them better financial support when approaching retailers than before. The option of distributing consumer price-off coupons was mentioned by both Al Fresco’s sales force and certain supermarket managers. The supermarket managers would still receive full retail selling price, but the Kayem would be cutting their profit margin on each package bought with a coupon.

The unit breakeven of this promotion would be 75, 000 packages. The product is competitively priced with other chicken sausage products according to a survey of the Boston-area supermarkets. Another draw-back to offering price reductions is in conflicts with Kayem’s desire to keep margins high to off-set their lower profit lines. A final promotional route Kayem could choose involves running advertisements in specialty food magazines. This approach covers a large geographic area, connects to the targeted demographic profile, and has a longer life than most media avenues.

Various costs for ads covering a full, half, or quarter of a page for three different magazines is accompanied by the number of circulations in the appendix. Kayem's managers believe that no fewer than 2 or 3 ads would be needed to have any positive effect on sales. There are many new opportunities opening in the advertising venue for Al Fresco due to the increased budget. Two big issues the company faces are product awareness, and knowledge of where the product is available for purchase. With the Internet becoming more and more commonplace, a simple website would be a possible alternative for Al Fresco.

The site would offer a history of the product, types of products, recipes to go with the sausage, and locations where the sausage may be purchased. Any advertising that is done; the name of the website could be placed on the advertisement. It is assumed that a start-up fee cost for a simple informative website would be \$4, 000 and yearly upkeep would be an additional \$3, 000.

Recommendations/Implementation

Kayem Foods, Inc. should use the budgeted 185, 000 promotional dollars to run a series of "trade advertisements", 2 ads in both Food and Wine and Cooking

Light food specialty magazines, and launch an informative website. Use of these three advertising avenues helps resolve the problems the Al Fresco brand currently faces; a new, largely unknown brand to consumers, supermarket managers have been reluctant to offer the brand considerable, if any shelf space due to doubts of stable demand. Due to budget constraints, the placement of two 1/4 four-color advertisements in both food

specialty magazines is the cheapest way to increase broad brand awareness in the target market. An estimated 5.2 million ads will be circulated at an estimated cost of \$18.7 per 1,000 viewers. This is by far a cheaper avenue to reach potential customers than another “buzz” campaign (appendix). The ads should highlight the freshness and natural, healthy composition of Al Fresco’s chicken sausage, and should include the statements, “#1 Selling, Healthy, All-Natural Choice” and “Ask for It at Your Local Supermarket”. These advertisements will not only increase selective demand, an approach that attempts to highlight a specific brand’s competitive advantage in the face of many substitutions, but will also spur a deepening in brand loyalty.

By using a persuasive advertising approach these placements will lead to higher preference, liking, and conviction of Al Fresco’s chicken sausage flavors by consumers because they will be processing the ads in a detailed, analytical mode. Placing these ads in food magazines gives Kayem the opportunity to place their product in the minds of consumers actively searching for new products/ recipes, thus initiating new sales from experimenting, health conscience, or even allergenic consumers.

Secondly, supermarket executives have said such an advertisement campaign is needed to create the stable demand required to prompt initial purchases and shelving of Al Fresco’s chicken sausage. Increasing the pressure on retailers to adopt and sell Al Fresco’s products can be supplemented by running a series of “trade advertisements”. These ads will highlight the specialty and low-fat sausage market segment’s growing sales

numbers, and Al Fresco's personal commitment to faithfully market their products.

High-profit margins and placement at the top of the segment market are also key points that must be received by retail executives. As mentioned by Monkiewicz, \$80, 000 will be needed to successfully implement this advertising campaign. The remaining budget dollars will be used to launch and maintain an informational website specifically aimed at providing product awareness to customers. In today's day and age, the internet is becoming more resourceful.

With Al Fresco's increased advertising over the next year, they can add the website URL to the ads for free publicity to the website. The website would be simple, offering product history, flavors and recipes, and locations where the product is available.