

# A s dansk minox case study

Business



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Company backgrounds case is set in Denmark In 1967 when the “boom” in nonuser food products was just beginning more working mothers, more disposable income, more choices in convenience food products.

ASS Deans Minx, a company in Denmark, specializes in manufacturing a variety of vacuum-packed meat and other products. DMS has about 30 products and has a great position and brand in the market. ASS Deans Minx provides the vacuum packed products and consumers combine the vacuum packed packages along with the homemade salad for their meal.

Through consumer research, ASS Deans Minx recently identifies that there is a huge market potential for vacuum packed complete meals. The meal contains a standard “sliced pork in gravy”, the product that ASS Deans Minx is making, with 550 grams of red cabbage salad.

Vacuum Packinghouse Packing is a storage method that preserves variety of food. For example, pork, beef or vegetables. If properly refrigerated or frozen, vacuum packaging works well in keeping the food fresh for longer periods.

The plastic bags are usually used to vacuum packaged. The air is removed creating a vacuum in the bag and the food is left in the bag. In order to maintain vacuum, the bag is sealed.

By the researches from Fantast’s Kitchen Wares Shop, there are a lot of benefits for vacuum packing: 1. Longer storage life of foods. According to researches, foods maintain their freshness and flavor 3-5 times longer than

with conventional storage methods, because they don't come in contact with oxygen.

Due to the elimination of air to absorb the moisture from the food, vacuum packing prevents dry out of moist foods, Because bacteria mold and yeast cannot grow in a environment without oxygen, foods maintain their original appearance. Insect Infestation Is eliminated because there's no oxygen coming in the bag.

The production process of vacuum-packed products can be illustrated by the flow hart 1) attached in appendix. Business environment: The current business environment that ASS Deans Minx operates in can be analyzed as follows.

I narrate AT New Entrants Ana Barriers to Entry's ten customer research cone Day Deans Minx revealed, there is still market opportunity for the vacuum packed products. In order to produce vacuum packed products, for example pork, vegetables, it is necessary for companies to purchase the production equipments for the procedure of vacuum packing, meat cutting, sorting and packaging. It is crucial to purchase the machines that reduce production time and cost, increase efficiency. Therefore, in order to enter into this market, the initial capital investment in purchasing equipment could be substantial and it creates barriers to entry.

However, the equipments are relatively easy to operate, so the training cost and time to the workers could be minimal. Moreover, the food product manufacturing industry is not technology intensive and the equipment could be purchased in many distributors, this factor in turn makes the new entry

easier. Also, once the initial machines purchased, it is relatively easy to introduce new product lines. Intensity of Rivalry Among Competitiveness are a number of vacuum-packed cooked reduces manufacturers also in the business.

Certain competitors of ASS Deans Minx are expanding aggressively and had already introduce the red cabbage salad in vacuum-packed, canned or frozen form.

There is low differentiation among competitors and price is the key factor in this particular industry. Due to the high initial investment, the potential exit barriers could be high in this diverse competitive industry. Product Substitutes this particular product of vacuum-packed red cabbage salad, the Danish housewives very often make it on their own. Therefore, the family could choose make the salad or buy it from ASS Deans Minx.

The switching costs are fairly low and the family could have a choice of buying the products from other manufacturers if the price and quality match their standard.

In term of food storing methods, the red cabbage salad could be in the canned or frozen form as well. They are the substitutes depend on the family's preference and evaluation of price and quality. Suppliers suppliers of ASS Deans Minx are the vendors that provide raw material of pork, cabbage and other possible material for the process of packaging. Since pork and cabbage are consumption goods, the price is affected by the demand and supply of the material.

Luckily for ASS Deans Minx, the suppliers will not have huge bargaining power since the material of pork and cabbage is wildly available in the market and the supply chain is considered to be relatively stable.

Prescience the pork and salad are very popular food in Denmark, so the potential buyers of the product could be anyone in the country. Since people now have more Lassoed Income to spend on T products, also ten vacuum-packed products Like pork and cabbage are wildly considered as more convenient products, More specifically, the women in the work force, working mothers, represent the increasing portion of the buyers.

Since this salad is quite time-consuming to prepare at home, the working mother prefer to purchase pre-prepared vacuum-packed products. The complete meal products are the perfect products for them. Company Strategy: The strategy of the ASS Deans Minx is Cost leader.

ASS Deans Minx is operating in a large market and the potential customers could be any family in the country. The demand of vacuum packed product by is highly elastic, which means the demand of the products are highly influenced by the price. In order to maintain a competitive price and compete with the competitors, ASS Deans Minx produces the products massively.

Strength: Biggest strength of the organization is the brand loyalty that already exists. Having 30 products in the market, ASS Deans Minx is wildly recognized by the consumers and is a trusted name.

Once the new products introduced, it could enjoy the benefits of being a line of the company. Opportunity: By conducting a consumer research, ASS Deans Minx recently identifies that there is a huge opportunity for vacuum packed complete meals, even the competitors already introduce the ready-made red cabbage salad to the market.

The opportunity came from the facts that the disposable income of people increases, exulting in more spending on food products. More and more people prefer convenient food to making it by themselves. In addition, the ready-made combo of “ complete meal” is especially to working mothers, who want to reduce their time on the time-consuming salad dish. The percentage of working mother in the work force is expecting to increase in the future, reflecting the great opportunity of introducing the new complete set product.

The major problem that ASS Deans Minx facing now is: Should ASS Deans Minx bring the new product, complete meal, to the market? If yes, then how much the unit price should be? The price is uncertain due to the cost allocation problem raise by the new product, leading to long discussions between the marketing and finance departments. Company identifies the cost driver as ‘ per kilogram’ of material and the new product price at D. Cry 8. 20 is proposed by finance department.

Marketing department suggests that the cost driver ignores the price of cabbage is way cheaper than pork, however allocating a similar overhead cost.

Hence they proposed a price of D. Cry 6. 85 for the combo pack. In order to find the solution for the problem above, I will examine the following three alternatives: summary of ultraconservatives Quo: Not introduce the “ complete meal product”; abandon the new preproduction the “ complete meal product” at a consumer price of D. Cry.

6. Introduce the “ complete meal product” at a consumer price of D. Cry. 8.

Alternative A: Status Qualitative A is to abandon the new project AT New Pack – not to Introduce ten “ complete meal product As ten new product will not be introduced, it will generate no additional profit to the company, I.

E. The profit in 1966 will be the net profit without the introduction of the new product. Consequently, the pricing arguments between the marketing and finance departments of the Danish company will no longer exist. In addition, since the new product is not introduced into the market, the customers of the standard pack will stay with the products.

Accordingly, the sales of the old product will continue to rise in response to the increase in the market demand. Alternative A: Not introduce the “ complete meal product” New Packages: Total variable streptococcal fixed extraterritoriality’s B: Introduce at a consumer price of D.

Cry. 6. Since there was spare capacity available for the production of the ewe “ complete meal” product, the total amount of the fixed costs will not change due to the proposed production of the new product.

Also because these fixed expenses are costs that have already been incurred and that cannot be recovered, they are considered as sunk costs. In business

decision-making such as the decision to add or drop a product or service, only incremental costs (variable costs) are relevant to a decision. Therefore, the full costing method (the standard cost accounting) – the attempt to allocate the company's fixed costs to the different products produced during a certain period of time, is not appropriate for this type of management decision making.

The proper approach to support decision making to improve a company's profitability is a contribution analysis: Revenue – Variable Costs Contribution Margin per unit (Contribution Margin per unit x total units produced) – Total Fixed Costs = Incremental Profit/Losses as a result, the company's profit in 1966 will be increased by \$99, 450 (See Table 1 for detail) if the new product is introduced at a consumer price of D. Cry. 6. 85. Compared to Alternative A, ASS Deans Minx is better off by the increase of \$99, 450 in profit.

In the event that the company is not capable to produce 85 tons of new products, the profit increased above will not be achieved. From the table shown below, in order to achieve the profit by selling 30 tons new products at D. Cry 8. 20, we need to at least sell 52 tons of new product at D. Cry 6. 85.

Contribution Margin for a consumer price of D. Cry. 6. 85 x Minimum sales volume = incremental profit for introducing the product at a consumer price of D. Cry. 8.

201.  $XX = 60,900$  \* $X = 52,051$ \* see alternative C for detailing term decommissioning, the contribution analysis is primarily useful for short-term decision-making.

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For the long- term purpose, the company still needs the full costing analysis to calculate the profit of each product. Within company's capacity, the production Fixed Expense for the new " complete meal" will be the same as existing products as D. Cry. 0.

54 per kilo. All other overhead will be the same as the existing product as well. In the event of exceed capacity, need to allocate additional Production Fixed Expenses. In order to get the correct number of profitability, ASS Deans Minx needs to find an appropriate cost driver to allocate the production fixed expenses. As

Inelastic Day ten marketing department, ten total sales quantity (expressed In kilograms) may not be a proper way to allocate the fixed costs.

ASS Deans Minx could consider using the selling price of product as the allocation basis, since the consumer price is more relevant to the fixed overhead and better matching expense with profit. Therefore, from the following table, we proportional apply the Production Fixed Expense: new packets. Pack. 854. OX. XX= 0.

Therefore, in the long run, 0. 76 production fixed expense should be allocated to 1 Goof " complete meal". Please note that we assume selling price at D. Cry. 6.

5. In the case of retail selling price as D. Cry. 6. 85 and with an allocation of D. Cry.

1. 20 for production fixed expenses, the total unit cost will be D. Cry. 5. 22.

Alternative C: Introduce at a consumer price of D. Cry. 8. Non spite of the marketing department's arguments, company could decide to set the price at D. Cry.

8. 20 so that the full fixed expense could be covered. In this case, the uncertainty of allocating fixed overhead is eliminated and the company ensure that the new product is making profit. However, the selling price is too high for the customer in turn decreases the imitativeness of the product.

Therefore, the product could be sold at a lower volume than it is budgeted.

In the following, we reasonably assume that the sales volume drop to 30 tons when the price is at D. Cry. 8. 20. Please see table 2 at appendix for detail.

The profit in 1966 will be increased by \$60, 900. Compared to Alternative A, ASS Deans Minx is better off by the increase of \$60, 900 in profit.

Conclusions order to better evaluate and compare all the qualitative and quantitative alternatives we analyzed above, we need to take into consideration of certain key decision-making criteria: I . Prove profitability (measured by contribution analysis, short-term decision making)lancer's profitability and improve shareholder equity is the primary goal of a company. By improving profit, the company's cash flow is possibly increased, so that company's ability of meeting liability is enhanced. In the event of possible investing opportunity arises, the company will be financially flexible enough to take it.

2. Consistent with the corporate strategy alternative we take should be consistent with the strategy of the company, so that the action will be towards the company goal and will be sustainable. 3.

Lost of customers by the Standard Packet better evaluate the alternatives, some important qualitative factors should be considered, potential lost of customer by standard pack resulting from the introduction of the new product is one of them. 4.

Within capability the alternatives attainable? Or they are out of the capacity of the company and will not be able to achieve? The following table shows how we compare the different alternatives by applying these criteria:

Abstracts Quo: Not Introduce ten “ complete meal product”; anyone ten new pronounceable ten “ complete meal product” at a consumer price of D. Cry. Introduce the “ complete meal product” at a consumer price of D. Cry. 8.

Improve profitability using contribution analysis (short-term decision making) Unassuming 85 tons of new products are sold at price of D. Cry 6. 85, so the probability will be improved by D. Cry. 99, assuming 30 tons of new products are sold at price of D.

Cry 8. 20, so the probability will be improved by D. Cry. 60, 900. Consistent with strategy/The company’s strategy is cost leader, the price of D.

Cry. 6. 85 is consistent with the company’s strategy and increase the competitiveness of the company. The company’s strategy is cost leader. He price of D.

Cry.

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8. 20 might be too high for certain customer, resulting in losing the competitiveness of the company. Lost of customers by the Standard Packwood is confirmed that there is still a great untapped potential for the new product so the customer will continue to buy both new and old products. Sales of standard pack will not be affected. Since there is still a great untapped potential for the new product so the customer will continue to buy both new and old products.

Sales of standard pack will not be affected. Within capability/There are spare capacity available for the company and the reduction will not exceed at this moment.

If the new product keep increasing in the future, there is possibility of exceeding budgeted capacitate are spare capacity available for the company and the production will not increase too much due to the high selling princely conclusion, by comparing the alternatives against the key decision-making criteria, alternative B, which introduces the “ complete meal product” at a consumer price of D. Cry. 6.

85 is the best option for ASS Deans Minx. Since the main goal for ASS Deans Minx is generating higher cash flow, improving reparability should be the primary criteria that we should consider in decision making.

Alternative C improves probability by D. Cry. 99, 450, which is D.

Cry 38, 550 higher than alternative B and D. Cry 99, 450 higher than alternative A. Moreover, alternative B is consistent with the company strategy. From the content that we demonstrated previously, the business

strategy of the company is cost leader. ASS Deans Minx produces the products massively in order to keep a low selling price and match with the competitors. Therefore, introducing the new product price at D.

Cry. 6. 85 does a better job in fitting in company's strategy than the other alternatives.

In addition, alternative B will not have huge impact to the existing products and it works within the capability of the company, comparing to other options. Recommendations/S Deans Minx is facing an exciting opportunity of introducing a new product line that could possibly increase the profit hugely.

We highly recommend the company introduce the new "complete meal" at price of D. Cry. 6. 85, a so taking ten Toweling steps: 1. Allowance ten "complete meal" to ten wangle company and the public as soon as possible in order to let more people know about the new product. 2.

Form the production department and add the new product into production plan. Evaluate the difficulty of implementing the new product line. 3. Inform the marketing department. Ask for possible promotion theme and plan that could make the biggest sales impact. 4.

Call retailers at each level of selling channel regarding the introduction of the new product. 5. After few months, conduct customer research in order to evaluate the success of the new product or possible commandment only alternative C is a solution that relatively easy to be implemented, it is also expected to generate highest cash flow to et the company's operating goal.