Smuckers case study

Education

Scope of competitive rivalry- Competition among the industry is dominated by larger more diverse companies offering many efferent products in the processed foods industry. Number of Buyers - The number of users has been steadily increasing over the past few decades. With consumers looking for ways to simplify creating meals and snacks they are more apt to purchase processed foods in order to quickly prepare and serve foods when eating at home or eating meals on the go. Degree of product differentiation- Rivals in the processed foods market are fighting for more of the market.

Without either expanding or acquiring new lines some of these businesses are having a hard time keeping their share of the market. Product innovation; The industry is always looking to innovate. This is pretty easy to see from just browsing the grocery store aisles. There are always new and improved products or existing products that are just packaged better for easy on the go eating. Demand-Supply Conditions- Processed foods are, plus or minus, 70 percent of what most of us eat. 2) The demand for processed foods does not look like it is going to subside any time soon. There are many suppliers out there but they are also dealing with negotiations to get their products into the top five grocers in America who have the power of choosing hat products they can negotiate for the lowest price, this can be detrimental to smaller manufacturers. Pace of Technological Change- Technological advances in producing these products can help cut costs over time, therefore making more profit on the foods that they are making.

Vertical Integration- With acquisitions becoming a necessity of staying in the processed foods playing field these companies need to integrate any way that they can in order to stay competitive in the growing market. Economies of Scale- The processed foods industry is dominated by the top five brands. These brands are making it harder for the smaller companies to gain more of a market share without acquiring more businesses or increasing their product line to gain a share of the market.

Learning/Experience Curve Effect- Processed foods make up about 70% of an average Americans diet. It is imperative for their survival that they try to gain a cost advantage over their competitors in order to maintain or increase their share of the processed foods market. Competitive Analysis S. W. O. T. Analysis Strengths Started back in 1897 by Jerome Monroe Smacker, this has been a well-known ND recognized brand for over 115 years. (4) With the acquisitions they have made they are climbing up the processed foods top 100 list.

Strong Financial Standings - from 2009 to 201 3 Income before expenses went from $ 396. 1 Million to $ 817. 3 Million. Innovation- they are always looking for new ways of presenting their product in order to make the consumers life easier. Company was listed in the top quartile of Fortune's " 1 00 Best Companies to work for" every year since the magazine created the ranking in 1997. (1) Weaknesses Smaller size in the processed foods market may limit their bargaining power tit grocery retailers.

Peanut Butter and Jelly - with most schools now banning any peanut products because of allergies the days of bringing a BP to school for lunch are almost extinct. Volume declined 6% and 1 1 % for Jiff and Smacker's fruit spread respectively. (6) Opportunities Innovating their products to appeal to more consumers such as their creation of the Jiff To Go Lunchbox snacks. More acquisitions of smaller processedfoodcompanies when their finances allow. Expanding more internationally pushing the products that have a successful presence in other countries. The retreats

Competition from larger processed foods manufactures. Lesser bargaining power with the top five grocery retailers who make up about 40% of the grocery sales in the United States. Fear of a decreased market share could lead them to make bad financial decisions in regards to pricing, acquisitions and other expenses that they can control. Healthier Eating habit by people in the U. S. May lessen the already smaller share of their stake in the processed foods market. Financial Analysis Gross Profit Margin- The profit Margin was increasing from 2009 to 2010.

Since 201 0 it has gone down a little bit to now being . 457 in 2013. This should be a concern for Smacker's even though over the past two years it has stayed stealing and also slightly increased in 201 3 so far, this is something that they should be putting great attention into. Current Ratio- With a Current Ratio oaf mere 1. 3181 in 2009 transforming into a current ratio in 2013 being 2. 6729 it is showing that Smacker's is financially sound and the fluctuations have not been too severe over the past five years again reiterating their stability in the processed foods market.

They are sufficiently able to pay current liabilities without concern. Long Term debt-to-equity Ratio- Smacker's Long Term Debt to Equity ratio has fluctuated some over the past five years. In 201 1 the ratio was at its lowest indicating that during that time they were at a better standing to borrow funds if needed. In January 2012, the company closed its purchase of a foddering coffee and hot beverage business from Sara Lee. (7) Without this acquisition to show the jump in ratio from 201 1 to 2012 the company would seem to be in financial distress.

Working Capital- The working capital was rapidly increasing from 2009 to 2011. In 201 2 the company saw a decrease in working capital. With the gain of the Sara Lee acquisition there was more funds being used for day to day operations, while this went down it does not mean that the Company is failing - it just means that they have more operating costs than previous and need to work more on the cost of manufacturing these goods to increase revenues more in the future.

Strategic Recommendation Smaller Market Share - With the bigger processed foods companies such as Kraft and Nestle gaining a large portion of this market I would recommend that Smackers continue to acquire smaller companies or subsidies of already established companies to continue the growth and success that they have over the more than a century that they have been in business. Peanut Butter and Jelly- With the Healthy and Natural Foods movement going on and also the increase in schools banning peanut butter Smacker's two most well- known products are now fighting for 2nd and 3rd place for the company's sales contributions by product line.

They are remaining steady over the past 3 years. In 201 3 Peanut Butter was at 13% (a 1% gain over 201 2) and Fruit Spreads went from 8% in 201 1 to 6% in 2013. One of their newer acquisitions f coffee is booming with a 4% gain over the past 3 years going from 44% in 2011 to a whopping 48% in 2013. I would recommend focusing more advertising and marketing dollars on the products with a decrease in product line sales in order to save what they had originally started their company with.

Increasing International Expansion - With the well-known brand name and similarity Of products that people use in other countriesI believethat by exporting more of their products Smackers can grow in to a larger and better recognized brand globally. If they started out just shipping and not creating acclivities overseas they could savemoneyin the beginning by not having the overhead of a brand new facility and all of the expenses that come along with it. Also they could easily pull out of the markets that they are not able to penetrate successfully.