

Mrs. acres
homemade pies and
soft drink



**ASSIGN
BUSTER**

Mrs. Acres Homemade Pies and Soft Drink Joaquin Angles BUS 508 The Business Enterprise 04/23/2010 The company produces specialty pies and sells them in local supermarkets and select family restaurants. In each of the first six months, Shelly and three part time employees sold 2, 000 pies for \$4. 50 each, netting a profit of \$1. 50 per pie. The pies were quite successful and Shelly could not keep up with demand. The company's success results from a quality product and productive employees who are motivated by incentives and who enjoy being part of a successful new business.

To meet demand, Shelly expanded operations, borrowing money and increasing staff to four full-time employees. Production and sales increased to 8, 000 pies per month, and profits soared to \$12, 000 per month. However, demand for Mrs. Acres Homemade Pies continues to accelerate beyond what Shelly can supply. She has several options:

1. maintain current production levels and raise prices;
2. expand the facility and staff while maintaining the current price;
3. contract the production of the pies to a national restaurant chain, giving Shelly a percentage of profits with minimal involvement.

When Shelly Acres started selling her pies, she had to find her own customers. None of the local restaurants and supermarkets knew her products, so she had to offer an affordable product to interest restaurants and supermarkets in her products. As demand increased, Shelly started producing more pies to meet this demand. At the moment, she cannot supply all the demand. A way to decrease this demand is to increase prices. She can also increase the production level to meet the demand.

The first option implies that Shelly's company is not going to grow since its current size will be maintained by keeping an artificially high price. The second solution requires Shelly to find the resources to finance the expansion of her activities. The third option leads Shelly to lose her specific know-how by providing it to the national restaurant chain. It also implies that Shelly does not own her business any longer. In economics we classify goods as "tangible" products, example might include food and drink, cars, digital televisions, flat-screen televisions, energy products and cricket bats! Services are sometimes known as intangibles, education and health-care are two important services and tourism, business consultancy, cleaning and home insurance are all examples of services. A soft-drink manufacturer produces several flavors of drink for example, cola, orange, and lemon. Each flavor has several versions such as regular, diet, and caffeine-free. The manufacturer operates factories in several states. You have input records that list version, flavor, yearly production in gallons, and state (for example: Regular Cola 5000 Kansas).

The aim of segmentation in consumer markets is to bring the focus on to manageable groups of like-minded individuals who have a high disposition for a product. Coca-Cola has customers who want low cost drinks for consumption at home. It has customers who want a mixer or a non-alcoholic drink in a bar. It has customers who are hot and thirsty and want a cool refresher outside the Duomo in Florence. The same consumers may at various times join one of the segments and when they do, they will see the product in a different light and value it in a different way.

In business-to-business markets the aim of segmentation is similarly to arrive at clusters of like-minded companies. There is a very strong pressure to use segmentation in business-to-business markets to win a competitive advantage as there is often little to differentiate one product from another. Segmentation therefore links strongly with a strategy to achieve a sustainable differentiated position.

References

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