

Monforte dairy: a case study samples

[Business](#), [Company](#)



MEMORANDUM

RE: MONFORTE DAIRY

Executive Summary

This discussion is an analysis of Monforte Dairy and recommendation of strategies that the company can implement in order to exploit growth opportunities. Presently the company strengths are attributed to customer loyalty and brand awareness. Recently, the company suffered a huge amount of inadequate capital exposing a weakness for the company as loan lending banks considered the situation as risky.

The setback, however, presents an opportunity for the company to grow in the artisan cheese industry as well as introduce new products. With reference to produce, Monforte is faced with limitations on types of cow's milk which reflects on the variety of products offered. This can however be mitigated by the product mitigation strategy recommended.

The rest of the money will be obtained from revenues generated during the renovation process. The recommendation and implementation strategy would enable Monforte to explore every viable opportunity to facilitate growth in its area of operations while committing to its company values.

INTRODUCTION AND OVERVIEW

Monforte Dairy Company was established in 2003 as a partnership between Sebastiano Monforte and Ruth Klahsen. The two divided labor in a fair manner in that since Klahsen funded the startup cost, she was in charge of sales while Monforte was in charge of operations following his prior experience as a cheese maker. The company had a rocky beginning citing

differences between the partners leading to Monforte's decision to leave the company at a time when all the startup money had been used to build inventory, and the already manufactured cheese had expired. Klahsen, therefore, took charge of the company as a sole proprietor and helped the same flourish as it is presently known. With strategic planning and careful planning, Monforte Dairy began expanding in terms of size and profits. At present, Klahsen has the opportunity to promote further expansion in a new section of the industry. This discussion offers a thorough analysis of Monforte Dairy and offers feasible recommendations for the company to implement in order to achieve Klahsen's vision of becoming a \$10 million revenue company in the future.

The artisanal cheese industry is not the traditional cheese industry in the sense that it utilizes a production is defined as non-industrial. While output is generally small, the industry thrives in producing high-quality, hand-manufactured cheese. Availability of artisanal cheese is very limited because it is not found in supermarkets due to the limited supply that it can address. Instead, these are typically found and sold imported from Western Europe. To make it available in the market it has to be imported and the additional shipping contributes to its pricey cost.

MISSION, GOALS, AND CURRENT STRATEGIES

Proprietor states it vision as the desire to grow Monforte Dairy into a \$10-million-revenue company. While it can be a challenge, the owner-operator believed that it is still feasible. Armed with a strategic plan and a future-oriented approach to business, Klahsen intends to strategically create a plan that would deliver the necessary statistics.

A careful analysis of Monforte Dairy situation reveals that its first objective is to focus on growing revenue and increasing profits while at the same time being the market leader in promoting good food practices in Ontario.

Secondly, the company finds it important to create awareness of its dairy products in Ontario. The focus should be to maintain the quality of products offered and hence maintain customer loyalty following their satisfaction with what is being offered (Monforte Dairy, Pg. 3). The last key objective is to continue being socially responsible by contributing to the improvement of sustainable agriculture industry. This includes supporting farming communities through funding of projects, protecting the environment, providing fair wages and being human to animals. These ideals continue to foster customer loyalty and maintain positive public relations. In 2009, the debt ratio for Monforte Dairy was 11.49. This implies that the company is greatly leveraged in debt making it vulnerable to increases in debt rates and creates difficulties in obtaining financing from banks for possible expansion.

A careful analysis of the 2009 finances reveals that Klahsen cannot pay off her current liabilities hence creating a liquidity issue that could have a detrimental effect in case the creditors suddenly called in their debts.

Government quotas also negatively impact the company business because production can only be up to a certain level. Having sold everything the company produced in 2009, the government quota will see to it that overall production is reduced making it impossible for the company to meet last year's demand and production. Since the production process depends on the supply of milk yet Monforte cannot control the price of this input, and it is a factor that is extremely important as the power of the supplier is high.

Presently, Monfort can circumvent the quota of cow's milk by using water buffalo, goat and sheep milk to produce cheese.

In matters management, Monforte has a committed manager with a goal of reaching ten million dollars in revenue before she retires. However, the same individual has another full-time job of looking after her family. In order to achieve her goal for the company, Klahsen would need to consider the amount of time to allocate either option considering the time restrictions she is facing.

Critical issues identified

The company is not in a position to get a loan from the bank because it is heavily leveraged on debt. This implies that the company runs the risk of not being able to settle their debt and liabilities. Monforte's financial situation cannot allow for capitalization on expansion.

The company faces the risk of not being able to meet the demand for their product following the government quota system that regulates their production process. This implies that Klahsen has minimal control on how to increase supplies. The management of the company is also a threat for its growth citing the fact that despite Klahsen having a goal to achieve \$10 million in revenue, her personal life comes into play as she has three children including a ten year old.

INTERNAL ANALYSIS

The IFE Matrix is based on the strengths and weaknesses of Monforte Dairy considering the different internal forces and factors that surrounds the Company's business operations.

Management

- Positive company and customer relationship
- Company's social responsibility and values.

Finance

Financial Ratio Analysis

- The company's weaknesses are factors that hinder its future growth.

Monforte Dairy is faced with the challenge of inadequate capital citing the state of the Canadian economy that made major loan lending banks find it risky to lend the company money to purchase land in 2008.

- The aspect of inadequate capital is illustrated by the company's pricing model that reveals the 10% profit margins.
- The issues have however been addressed by the Community Shared Agriculture program and the banks offering low-interest rates on loans

Marketing Services

- The company has ensured that it is established and always present in local farmer's markets and increased media coverage.
- The company sales continue to grow following word of mouth from the customers who are socially responsible and health oriented.

Human Resource

- Another hindrance to Monforte's growth is the current employee salaries which may not be necessarily enough to keep them loyal

EXTERNAL ANALYSIS

EFE Matrix is an effective strategic management tool used to assess business environment relative to political, socio-cultural, technological, economic, and ecological factors. The EFEM score is 3.01. This can be interpreted as very strong. The external environment surrounding Monforte Dairy is favorable for doing business. While there is a few problem in the economy, the artisanal cheese industry is only slightly affected.

Economic

- Monforte would be able to create more value for their products in the wine industry hence presenting an opportunity to generate more brand loyal customers and awareness resulting to increase revenue.
- Imminent threats can be attributed to the fact that the Canadian economy is still recovering from the blow of economic recession making other sectors of the economy such as employment to still perform poorly.
- This implies that Monforte would suffer in different aspects citing prices of raw materials, overall market position and customer purchasing power as examples.

Political

- Another threat is the quota system imposed by the government on cow's milk cheese.
- The system only allows Monforte to produce five types of cheese from cow's milk and any other types that would have been approved by the governing board.

Competition and Industry

- Another opportunity is to offer new or innovative products citing the sale of cured meat through the process of charcuterie and cheese aged through the process of affinage as example.

Socio-cultural

- There is an opportunity for the company to play a prominent role in promoting good food practices in their town.

- Presently the company is known as the leader in homegrown, healthy foods that will further increase the company's image positively and serve the growing popularity of this section of the food industry.

INTERNAL AND EXTERNAL MATRIX ANALYSIS

After extensive review of the external and external forces affecting Monforte Dairy, it has come to the conclusion that the Company has big opportunities to take advantage of, like the opportunity for expansion. It has sufficient strength to make the expansion feasible. Given the favorable reception of the customers towards its products, Monforte could move at a gradual but accurate expansion process. Nevertheless, the company should still be considerate of the possible threats that could hamper productivity and profitability. Among these threats is the high cost of importation and the increase in the need for skilled workers to the demand. While the demand for artisanal cheese is high, there is still the problem of finding the manpower with the right skills and craftsmanship to make it. In addition, the cost of manufacturing the product is extremely high from raw materials, to transportation, to labor. Given all these conditions Monforte is left to

contemplate which among the options necessary for expansion would be the most favorable considering that there are in fact five (5) to choose from.

Monforte Dairy lands on the 2nd quadrant which suggests the use of “grow and build strategy”. This strategy warrants the Company to initiate and focus on horizontal integration, market development, market penetration, and product development. Given the conditions presented under the internal and external analysis, it is hereby recommended that Monforte Dairy capitalize on market penetration and product development.

Market penetration is addressing a new category of clientele and offer a product that would satisfy their needs as far as cheese consumption is concerned. Monforte Dairy can already rely on its solid and strong market. It can capitalize them to launch a new marketing strategy that would rely on the spread of mouth in promoting the product that will be developed by Monforte Dairy.

RECOMMENDED STRATEGIC VISION AND SUPPORTING STRATEGIES

The option of status quo with sale of building

This discussion recommends that Monforte Dairy presently retains its status quo because it is only wise for the management to build up capital before considering expanding. Klahsen should direct her efforts towards growing the existing business and look for strategies to decrease the debt to equity ratio (Monforte Dairy, 8). In addition, Klahsen should consider selling her current building and lease it back in order to decrease the debt ratio which would result to readily available capital that can be used for future expansion. Once capital to invest is attainable, assuming Klahsen gets to sell the building, the

Affinage option would be a good investment for half a million dollars since it would involve leasing the climate control system as well as the shelving units required.

The option of Affinage

This option would allow Monforte produce more cheese without the necessary increase in their cow's milk government quota. In addition, the company will gain a new status of being the only company that offers Affinage services in Ontario. The company will have the capacity to purchase its competitor's cheese and sell at a premium and also exercise more control on the quality of their product.

The option of Charcuterie

Monforte could increase its line of products to include complementary products of cured meat enabling it to venture into an untapped market in which they would have the advantage of being the first mover. The endeavor is, however, a risky affair considering the fact that Klahsen has little industry knowledge that would make it impossible to forecast the demand for the meat.

The option of Auberg

Monforte can capitalize on the concept of food tourism by opening an Auberg. An Auberg would be a good platform to highlight the company's cheese products and even further expand on the products offerings. An Auberg will also offer the opportunity to sell and produce hops. An ideal opportunity for the company would also be to partner with the Straford Chef School and the restaurant which would boost the company's image. The

challenge, however, is that no agreement has been obtained, and Klashen has no experience on how to run a farm which could be detrimental to the company's operations following immense time consumption.

The option of cheese making school

Ontario would get to have the first and one of a kind cheese making school hence a growth opportunity for Monforte. Monforte would lend its facilities to the school during the three months in which they do not use them. The downside of this option however is that Klashen would be empowering her competitors in future since they would have the same skills as her (Carroll and Ricki, 43).

The option of stock incentive

Although Monforte's salary percentage is higher than the industry average, its current financial position makes the stock incentive option not so appealing.

Decision Making Criteria

CONCLUSION

It is evident that Monfort Dairy has the opportunity to expand by building an Affinage and benefit from the advantage of being the first movers. The company can, therefore, expect an increase in sales following the purchase of a variety of fresh cheese from other dairy companies and reselling the same. In addition, the company's current products can be improved in quality resulting to larger profits. The idea of reaching newer market segments can be marketed through both print and audio media which will see the word of the products spread fast across the new market (Blay-

Palmer, 113). With these suggestions, Monforte Dairy will get to and continue to experience growth becoming the market leader in the cheese industry in Ontario. The paper generally advocates for Monforte Dairy to develop a long term plan that will assure their growth and sustainability in their area of operation while following the basic guidelines of an effective corporate venture.

IFE Matrix

IFE Matrix of Monforte Dairy

EFE Matrix

EFE Matrix of Monforte Dairy

IE Matrix

Works Cited

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