

Case solution for giant consumer products essay sample

[Business](#), [Branding](#)



As a market leader in frozen food industry, Frozen Foods Division (FFD) of Giant Consumer Product (GCP) has been proved very successful in the past 30 years, with national market share of 43% in the “ Italian frozen dinners and entree offerings” subcategory. However in 2008, FFD were in sales trouble. The gross revenue through Aug 2008 was under plan by 3. 6% (with the equivalence of about \$14. 5m) and marketing margin was also under plan by 4. 1% (with the equivalence of about \$6. 5m).

In order to boost the FFD gross revenue as well as its marketing margin, Allan Capps, CEO of GCP is considering the option to field the FFD promotion. His final decision will be based on the recommendation from Mary, general manager of FFD and Sanchez, marketing director of FFD. Allan should make a choice among below 4 options:

1. Promote Dinardo’s 32-ounce packages
2. Promote Dinardo’s 16-ounce packages
3. Promote Natural Meals
4. No promotion

Recommendation and Reasoning

We recommend promoting Natural Meals. But we also need to remind Allan that only promoting Natural Meals still fail to have FFD achieve its 2008 annual plan with \$6. 5m margin gap. Here are the reasons:

1. Method. The standard of option screening is to make sure that the market margin of any potential option be positive. Marketing Margin = Revenue - Cost = Incremental Volume Generated by Sales Promotion * Price to Retailer -

Direct Expenses¹ - Indirect Expenses² = Marketing Margin Change from promotion - Marketing Margin Change from promotion of other products Note:

1. Direct Expenses include Promotional Allowance, COGS and Distribution. 2.

Indirect Expenses refer to Cannibalization Cost

2. Data. We use past sales and expenses data (Exhibit 1&4) to estimate the marketing margin from promotion for D32, D16 and Natural Meal.

3. Results. As shown in Table 3, due to the dominant Cannibalization Effect to both Dinardo's 32 and Dinardo's 16, neither brand has a positive marketing margin from promotion.

As to Natural Meals, considering no national promotion was fielded before for this brand, we assume that 25% of total retailers will be involved if GCP decide to run a national promotion. And Natural Meals has historically different consumer group from D32 or D16, the cannibalization cost could be negligible. As shown in Table 4, the marketing margin from promotion of Natural Meals is \$500, 679. However, this number still can't make up the \$6.5m gap of FFD marketing margin. That means options beyond the 4 options above should be figured out.

5. Limitations in the projection of Natural Meals

When we calculated the market margin from promotion of Natural Meals, we assume the relationship between incremental volume and the number of promotion store is linear. But it is possible that the increase speed of incremental volume is slowing with the increase of store points. (e. g. there

are competitions between regional stores as well; we don't have the capacity to cover the incremental volume). Since the model for Natural Meals has never been proved before, it should be cautious to use the results.

6. Other reasons backing up the recommendation

According to the principle of diminishing marginal utility, throwing out an extra promotion for D32 or D16, the sales volume isn't likely to live up to the average level, which means the marketing margin should be lower than our results in Table 3. Whereas Natural Meals enjoyed 15% of growth per year, it has more potential to expand further if appropriate promotions can be fielded to penetrate this segment. With the threat from Daft which is likely to launch its Healthy Options in early 2009, it is important to build brand loyalty right now among consumers for Natural Meals and distract the retailers from Daft's launching plan before the launching time.

In conclusion, promoting Natural Meals should be adopted to narrow the gap to the annual plan. But it is strongly suggested to watch the daily sales figures carefully during promotion period. And Allen also has to think about other options beyond promotion to meet the remaining gap of \$6m on marketing margin.