Situation analysis in marketing

Business, Marketing

Hobson's Choice is a locally owned smallgoods wholesale company that caters to the low - mid income consumer group largely through the Foodstuffs distribution network. Hobson's Choice primarily supplies finished Ham and Bacon products sourced from Canadian raw product, as this allows the company to remain competitive in the price sensitive smallgoods market. Hobson's Choice has significant opportunities for Geographic expansion as currently they have a low presence in the lower half of the North Island.

This could partially be attributed to a lack of product placement as well as no advertising in that market. There is also a significant growth opportunity available due to increased demand in recent years for New Zealand sourced pork which coupled with recent media attention around farming conditions has increased a demand for " Free Range" over " intensive farmed" products. This opens an opportunity to cater to a new segment of consumer that has a strong preference for free range New Zealand farmed pigs.

Targeting this consumer segment will require Hobson's Choice to create a new brand to enable consumers to distinguish from the lower quality Hobson's Choice brand. This opportunity however comes with its own set of risks. The primary risk involves overestimating consumer demand for this premium product, meaning we don't achieve profitable sales targets. However if demand in this segment is sustainable, then over the longer run, the new product line could be our " Cash Cow" or " Cash pig".

The Meat industry is highly competitive and thus Customer value that delivers customer needs and product appeal is a major criterion for increased sales. This is further highlighted by the following quote that outlines the importance of customer value. " Customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goal and purposes in use situations. "(Woodruff 1997) The above quote essentially outlines that customer purchase is driven by a value factor.

Customer needs / wants in the low - mid income group is primarily driven by the goal of purchasing a quality product at an affordable price. This is also a significant factor for determining market attractiveness along with increased consumer demand for the use of New Zealand pork as mentioned in the quote by the Chairman of New Zealand Pork Chris Trengrove " Trengrove said that New Zealanders were waking up to the fact that every week around 800, 000 kg of pork was imported into New Zealand and they definitely wanted to know that they were getting 100% New Zealand pork, bacon and ham.

The key factor for success (KFS) driving Hobson's Choice is providing a quality product at an affordable price consequently resulting in their core competency significantly revolving around its products aiming to be lower priced than other competitive products. The current state of the New Zealand economy has not affected sales; on the contrary certain products line(s) have noticed an increase in sales as there has been an increase in the number of people of people preferring to eat at home thus resulting in increased sales of processed meat.

Hobson's Choice is in its Growth stage. Key opportunities are outlined below: - Develop a web site for information sharing, and online sales. - Sell Hobson's Choice products to Progressive Enterprise. - Expand sales in the lower North Island. - Develop products to cater for consumers that value New Zealand Pork and free-range Pork. - Acquisition of specialist machinery that would provide the production capability to cater for fast food chains.

A major threat that has gripped the New Zealand Pork Industry is the issue dealing with substandard condition of the pigs in the sow stalls as was recently highlighted by a recent Television New Zealand program that consequently resulted in calls for a complete overhaul of the current laws in place concerning the condition of sows prior to being slaughtered. The SPCA has called for a complete ban on the cages and farrowing crates that hold pigs as well. (Breckon 2009; Stuff 2009)

This is a significant threat to the pork industry as prices are expected to rise by up to $2 a kg according to Chris Trengrove (Chairman of New Zealand Pork) if sow stalls were to banned immediately, thus making it increasingly likely that people may switch to substitute products like Beef or Chicken. (Davison and Gay 2009) (Stuff 2009) In response Hellers have aimed to be 100% dry-sow-stall-free within three months. This may give them significant competitive advantage.

Hobson's Choice employs Michael Porter's generic low cost strategy. Strict control of overheads has lead to the company being able to offer lower prices over the long run. When all manufacturing companies purchase raw materials at similar rates, and follow similar recipes, the only cost advantage available is running the factory as efficiently as possible. Current performance is based on the firms ability to be the low cost producer. There can be only one low cost producer. If during times of high price volatility the firm is beaten on price in the short term, sales must suffer.

Strategy rests on unique activities, and hence internal production knowledge is of highest value. Competitive advantage remains only as long as this high-value knowledge is kept in confidence. Typically this low cost strategy has been focused on the lowest quality end of the small goods market. This has given the company price point in the category. The current marketing strategy is aimed at the lower socioeconomic demographic, who are greatly more interested in price than quality. Understanding that these customers value low price leads to a focus on developing lower costs rather than improving quality.