Conagra grocery product company

Business, Management

I. ConAgra Grocery Products Company (CAGP): Short-term Growth v. s Long-term Success CAGP, formerly Hunt-Wesson Inc, was a subsidiary of ConAgra Food Inc., an American diversified food conglomerate based in Omaha, Nebraska. CAGP itself was a successful food company, which developed strong sales and distribution networks, and sales topped $2 billion annually. Bringing consumers “ the finest-quality and best-tasting products” was the company’s mission. It marketed and produced a wide range of shelf-stable grocery products from tomato sauce to ethnic food. The company had more than 300 customers and Wal-mart was one of their largest customers. CAGP’s headquarters were located in Fullerton, California.

The market for food industry has all time been a crowded place with the increase in product introductions and changing consumer tastes. To succeed, it is important to keep up with product development trends, customers’ profitability and create brand identity as well as brand equity. Product development is the lifeblood of any food leading companies. Therefore, R&D should be the main focus in combination with good marketing strategy, which will maintain products quality and/or create new products that in turn create new customers. Creating and building brands involve various marketing strategies, which include promotions, advertisement campaigns and competition for display location at retail stores. A company should also take into consideration that their marketing strategies have to match its retailer stores strategies, for retailers will decide which products they want to be more appeal to consumers through their marketing channels.

No stranger with these success factors in the food industry, CAGP had their own strategies. However, the old marketing strategy focused on the wrong objectives, which lead to the need for a new marketing approach. Growth was the main focus in the old marketing strategy. And through heavy advertising, CAGP hoped that their products got exposed to consumers and boosted sales. At the same time, CAGP gave retailers discounts, hoping the discounts will pass down to consumers. Even though, CAGP did tailor their marketing approach to match with their retailers', they neglected the fact that in this competitive industry, brand building was more important than meeting sales targets. Because sales targets were short-term growth, while building, extending and defending one's brand were the ultimate long term growth.

Moreover, not all retailers, with their own marketing approach, would be willing to pass down the discounts to consumers. As a result, the sales declined in 1999. This was when the new strategy got introduced and promised a better fit for the company. It focused on building brand equity, which in turn bringing in consumers' loyalty. Various methods would be use including new designs for packaging along with advertising and promotions The management realized that they had never been and would never be a low cost producer. One of the reasons was the product development costs to fit their mission of " the finest quality". The company now put more emphasize on the goal of long-term success. This was a better strategy for a large company as CAGP.

II. Deficiencies of the Old Trade Spending and Incentive Systems These were the flaws that constituted to CAGP management's decision for a new system. In the quarter budget planning process, there was no coordination between the two organizations: trade marketing and sales. The corporate trade marketing, through planning, generated volume and spending budgets for the sales operation. The sale operation had no input in planning their spending budgets for the year. The trade marketing also got to decide the guidelines, for which the sales operation had to follow in making deals with customers.

For any exception, sales managers had to get approval from trade marketing managers. Meanwhile, the sales operation generated the sales targets by its independent computer system. If there were changes to the targets, only their system got updated and not the trade marketing's and the company's. The lack of coordination between these two organizations caused the inconsistency in sales figures and at the same time discouraged the sales operations in identifying any promotions opportunities, which could have brought in profits. There was not enough flexibility in the budget planning process. Budgets and parameters were set quarterly. This promoted short-term oriented business decisions.

Moreover, the approval obtaining process from trade marketing managers kept the sales team from exploring large sales opportunities. The incentive compensation system was not simple. It included different categories for trade marketing. They had three targets to meet but lower target bonuses compared to the sales operation. The sale operation's incentive, meanwhile, focused heavily on sales volume (75%) with higher target bonus for low-leveled personnel. One of the draw-back of the system was that sales personnel weren't concerned to stay within the spending budgets, as long as they meet the sales target. This resulted in higher sales volume compared with forecast, which in turn lead to overspent. Then the two organizations were questioning each other's ability to understand each other's different fields of operation.

Regarding the motivation factors, there was no lower or upper caps for bonuses giving out. Because of the restrains in spending budgets and parameters, there should have been a minimum bonus for those who did not reach the targets, instead of no bonus at all. Meanwhile, if exceeding targets, bonus payouts were given several times the target bonus. Putting an upper cap would give managers more controls on bonus payouts. All these above factors combined with the fact that the forward buying and diverting got worse; it was obvious that CAGP needed a new trade spending system.

III. The New Trading System and Remaining Concerns:

Even though the new system was designed to solve the identified issues, there were weaknesses from the previous system remained. First, the budget planning process was still short-term oriented; it was changed from quarter to semi-annual. The inflexibility worried sales personnel of the change in case rates every six month. This also created more paper work requirements. The unstable case rates obviously did not please retailers, who had promotions planned months in advance. Second, the incentive system for trade marketing remained the same. It should be less complex, since part of the planning responsibility got transferred to sales organization. There were still no caps for bonuses given out. Third, instead of compromising on the spending objectives, sales personnel's figures had to tie in with the trade-marketing's.