

Nature view case study

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The core focus of the case for us is to look at alternative strategies for going to market, which are the issues raised in questions 1, 2, 4, and 5. It is sometimes useful to create models in excel to help evaluate one's options which I have referenced in 3a and thru the link included below. 1. How has Natureview succeeded in the natural foods channel? Nature View has succeeded in the natural foods channel through the use of brokers who sell its product (yogurt) to natural foods retailers.

Their brokers have the direct relationship with the retailers, meaning: the retailers purchase the Natureview yogurt from the brokers and not directly from Natureview itself. Using this broker distribution channel system Natureview has succeeded in capturing 25% of the natural food market. This system has also enabled an increase in sales for its 8 ounce and 32 ounce products. Perhaps more importantly, the health food channel was successful because of its success in reaching the target market. Health conscious women were Natureview's target market and their brokers worked with retailers that had access to that demographic.

More specifically they targeted women who earned high incomes, were educated, and lived in the Northeastern or Western USA 2. What are the two primary types of growth strategies under consideration by Natureview? The first strategy was to remain in the natural/healthy foods channels of distribution and make little change to their current model. The second growth strategy was to enter select supermarkets for broader exposure. The first strategy involved increasing the market share of Natureview in the natural foods market in which they were already present.

They would have focused their marketing efforts on the target audience with greater intensity. Natureview would have to modify its product to satisfy the needs of this segment by using price differentiation and it would have to launch advertisement campaigns/promotions to support this strategy. The second strategy was to enter select supermarkets and break into the grocery market segment. The motivating factor for entering supermarkets was based in the fact that 97% of all yogurts are sold in super-markets. More importantly to Natureview, 46% of organic food eaters shop at supermarkets.

If Natureview wanted a successful presence in supermarkets it would need to develop a yogurt product line specifically for supermarkets with appropriate price points, advertising and promotional plans. Additionally, they would need to negotiate terms and conditions with the supermarkets because of the different relationship without their usual brokers. 3a. How do the three options compare financially in terms of yearly revenue, gross margin, required investment, and profit potential? Note: to help you evaluate this I have posted an excel model to HuskyCT.

The three options are distinct with options one and two being more similar than option three. Initial annual revenue for option three is the only one in the positive; however, five years into each option, options one and two are roughly six and four times higher than option three respectively. Gross margins for options one and two are relatively equal, but the margin for is half for the distributor yet greater by seven percent for the retailers. The required investment for option three (\$400+) pales by comparison with options one and two being nearly four and five million dollars respectively.

This initial cost is offset by the potential profits over the life of the options; option three yield of only \$4.8M, option two coming in at \$10.6M, and option one with a walloping \$11.0M of respective net present values. 3b. If the venture capitalists extended their deadline for meeting the \$20 million revenue target by 12 to 18 months, would that change your recommended action plan? The supermarket options would have to be chosen to raise the \$20M with the extra time given. With distribution through supermarkets they would be able to realize their target by 2001.

The larger customer base of the supermarkets provides a strategic advantage that the health foods market doesn't. The inherent risk of this option is that the profitability of Natureview will diminish and jeopardize the premium price it currently enjoys in the natural food segment. 4. What are the strategic advantages and risks of each option? What channel management and conflict issues are involved? Natureview will have to deal with significant channel management issues if it pursues the supermarket options.

It will thrust the company into direct competition with large national brands, forcing it to adjust its price to match the prices of those national brands. Natureview would also have to negotiate with supermarket chains and obtain favorable conditions for the retail of their products. Most significant to brand management, selling Natureview yoghurt may change the brand-value perception of the consumer by reposition the brand of Natureview in the less exclusive supermarkets. It may lose its perceived value as a high-value natural yoghurt and instead be seen more as an ordinary yogurt.

Customers that bought Natureview from healthy foods retailers may instead buy Natureview from the supermarkets at lower prices, hence reducing the volume of sales through healthy food retailers. If the company stays in healthy foods markets only then the company misses out on huge sales volumes and profits. 5. What action plan should the company pursue? What changes in the current marketing mix, sales, brand, and channel partner arrangements do you recommend in order to implement the action plan? Natureview should choose the option to enter the supermarkets segment because of its investors' demands.

The venture capitalists' decision to cash out, has forced Natureview to court more agreeable investors. In order to get the right class of investor, Natureview must increase its revenues to \$20 million. Entering the supermarket segment suits the company best because this plan provides the highest possibility of achieving Natureview's sales revenue targets. Natureview also gets access to a larger base of yogurt consumers through this strategy. Even though the marketing and channel development costs will be high at first, this option provides the best available plan for achieving their short term revenue targets.