**Problems** (Source: GCP Case Pgs. 1 to 14)

Giant Consumer Products (GCP) has a well-developed Frozen Food division (FFD) operated under two brands i.e. Dinardo’s and Natural Meals. But the company is going through some problems since its sales volume, gross revenue and marketing margin are not as planned. GCP’s expectations on buyer behavior are not estimated well as people are buying less. Also, it is important for GCP to develop a sales promotion strategy which will attract consumers as well as keep the retailers satisfied with profitability for the company. In other words, it should be a win-win situation for all the parties involved. The growth of the company is very low which may affect the company’s reputation in wall street as well as its financial structure.

**Potential Solutions** (Source: GCP Case Pgs. 1 to 14)

**Option 1:** Promote Dinardo’s 32 ounce as a part of national sales promotion including improvement in the packaging in future with advantages and disadvantages of frozen food since many people consider frozen foods as not healthy. (Appendix B)

* **Pros:** Since the promotions led to a Return on Marketing Investment (ROMI) as 19% indicating that future of the product is promising. Also, by mentioning the advantages and disadvantages of frozen food on the package would make people think that the company cares for its consumers and is being straight about the effects if any of frozen products. GCP would gain sympathy from its consumers and even gain a greater market share.
* **Cons:** GCP has seen decline in sales volume as well as gross revenue and marketing margin indicating that the return on promoting Dinardo’s 32 would not be as effective since things are not going according to plan. Also, the national sales promotion may give a positive ROMI for the year ahead but it would be less as compared to the estimated and the disadvantages mentioned on the packaging of the frozen products may possibly give a negative impact and decrease sales.

**Option 2:** Introduce a website and a mobile app wherein people will select the products online and pick it up from stores because it is usually difficult to compare or even find the products while looking at the vertical refrigerators in supermarkets.

* **Pros:** People would find this very convenient and could save more time by selecting and ordering products on the website or mobile app while commuting and pick it up from stores. This will also create brand awareness and the website would provide information such as ingredients, spice level etc. Overall it would better for the company as well as its consumers thereby increasing the market share for GCP and would keep the retailers satisfied.
* **Cons:** Initial this would be helpful in promoting different products but in no time competitors would adopt similar strategy with even better functions which may affect the market share GCP had even before launching the website or mobile app.

**Option 3:** Promote Natural meals since people are becoming more health conscious and even competitors such as Daft are developing their own organic options. In addition to this, Natural Meals was showing assuring growth and by increasing its market share and with little price modifications or by introducing a new segment under Natural Meals which would be a cheaper organic range. Also, introducing Natural Meals in different sizes may lead to increase in market share due to its acceptance rate. (Appendix B)

* **Pros:** People are slowly becoming health conscious and prefer to eat more healthy and organic food. Natural Meals is usually targeting the super-premium segment but its growth has been positive which means either people are joining the super-premium segment or people buying Dinardo’s or similar other brands are shifting to organic food. Whatever the case, the ROMI of 12% tells us that Natural Meals should be promoted nation-wide with different sizes and slight changes in price. Also, the promotion funds used for Dinardo’s 16 should be implemented towards Natural Meals as the ROMI for Dinardo’s 16 is negative giving un an estimate about the future of the product.
* **Cons:** The initial investment for Natural Meals would be high and if the competitors introduce a better and cheaper organic option than the whole plan for Natural Meals may fail. Also, there is the possibility of the brand name getting affected in the super-premium segment as feared by GCP. Dinardo’s 16 would lose its market share and people may shift to buy competitors’ products as they could not afford Natural Meals’ products or they may not like switching to organic food. Introducing Natural Meals in different sizes would be a high initial cost because the acceptance rate is unknown as of now and the prices are same for any type and variety.

**Decision** (Source: GCP Case Pgs. 1 to 14)

A hybrid of option 2 and 3 would be recommended. Setting up a website and mobile app gives GCP an advantage over the competitors and directly connects to its customer. This won’t affect the retailers since their margin would stay the same and may increase their profits as people would prefer to buy online, thus saving retailers time and labor for e.g.: only 50% of the products that are delivered in refrigerated trucks would be required to set up in vertical refrigerators and other could be kept in the storage and provided as ordered online. Also, the advantage of GCP having a “clout” over its retailers could be used here by focusing on promoting GCP’s website rather than the competitors. In case of Natural Meals, as people are becoming health conscious with time and prefer to eat healthy, quality food and Natural Meals could gain popularity on the website and mobile app because of its organic products. Although cannibalization may affect Dinardo’s 32 and16 but the sales shifting towards Natural Meals would be a win-win situation for all the parties. Also, introducing Natural Meals widely will add as an advantage for GCP with website and mobile app and since the products offered by Daft would be new in the market and before they spread, Natural Meals would have gained popularity and people’s trust due to online promotion. Overall, adopting both options simultaneously would provide a greater market share to GCP and improve the profitability for the retailers as well.

(Additional Options in Appendix A)

(Required Analysis in Appendix B)

(Marketing Tools discussed in Appendix C)

**Appendices** (Source: GCP Case Pgs. 1 to 14)

**Appendix A – Additional Options**

**Option 4:** Within a span of two or three years introduce heat and eat offerings by installing small booths or shops all around the nation which will provide to-go options or even some seating area and these booths or shops will have a huge refrigerator and a microwave/conventional oven wherein people will receive the same frozen food with a little more price then the supermarkets as a convenience fee.

* **Pros:** This system if implemented near parks, schools, various institutions etc. would attract a lot of attention and would act as a chain of restaurants. This would be especially effective in the Natural Meals market since people buying from this brand are more health conscious rather than price conscious, so more price would not be a concern until and unless they are receiving quality meal.
* **Cons:** The process will be slow and by the time it is implemented properly competitors may find alternate options which may affect the planning process. Also, setting up so many booths or shops may require a lot of investment who’s return is not guaranteed until it is implemented.

**Option 5:** Take customer surveys in stores or online inquiring about the type and variety of meal people would prefer to eat under frozen meals and focus on producing those meals to satisfy these customers. These surveys would include and will be limited to all the possible meals that can be frozen and produced.

* **Pros:** If GCP can provide what consumers are expecting in terms of variety or types then people would prefer to buy more from GCP’s brands rather than the competitors. This would increase the market share of GCP and would also help in future improvement of the frozen food delivery process.
* **Cons:** This process will be time consuming and would also lead to increase in people’s expectation i.e. to get those products which are not possible to be provided as frozen foods.

**Option 6:** Introduce more types since people always started by looking for the type of meal then the brand and lastly the variety. These types would also include vegetarian options as well as various cuisines. The vegetarian option would attract customers who prefer veggies or healthier options especially in dinner.

* **Pros:** This would pull the customers from competitors as people will find many types of meals in one brand and as the consumer studies showed first people select the type then they find that so many types are in one brand only so instead of looking for other brands they select GCP’s brand and then look for varieties.
* **Cons:** This would be a huge initial investment and may take up the funds allocated for sales promotion or other activities.

**Option 7:** Tie up with several companies to provide frozen food in their canteens or cafeteria. Most companies specially the one with big names have a private canteen and cafeteria wherein they try to provide different types of meals as their employees come from different parts of the world and these companies want their employees to feel comfortable. If they could provide quality food (frozen in this case) it would lead to low cost and maintenance for the companies.

* **Pros:** This would benefit not only GCP but also the companies they tie up with since these companies will have to spend less on hiring catering services etc. The employees will also stay happy since they will get quality food in less time which will be healthy as well.
* **Cons:** Different companies may have different opinion and they may not come on board for offering frozen food since people have a negative thought regarding frozen food such as it is not fresh etc.

**Option 8:** Introduce a complete package with starters, main course and dessert because most of the consumers buy these meals for dinner and making the meals with more options with combo packages would make people more interested towards frozen foods.

* **Pros:** The whole package would be accepted by a family and even by an individual and people would love to try different combinations and different types of desserts and starters. The super-premium products would gain more attention since consumers buying super-premium products focus more on quality.
* **Cons:** The different combination may not be acceptable by everyone, for e.g. people may like a dessert from one combination and starter from another which will make that person reject both and look for other individual options which may push the sales towards competitors.

**Option 9:** Introduce different types and varieties of meals semi-annual or quarterly with special discounts for regular customers or members.

* **Pros:** Customers who prefer to buy products under GCP’s brand would always wait for the new product and even be excited for it. Since, GCP’s products are named sophistically it would even attract people who did not preferred GCP’s products and these different names which people cannot find in regular restaurants would make them want to try at least once which would be the selling point for the company as people will love their good quality products and will buy them in the future as well.
* **Cons:** Launching new products quarterly or semi-annually may be costly and which product is accepted well would be a big concern for the company. A deep marketing research would be required to understand consumers’ needs and launch product accordingly, which would take time.

**Appendix B – Required Analysis**

**1.)** Cannibalization can have a heavy impact on both Dinardo’s 32 and Dinardo’s 16, so going for a national sales promotion for any of these products is not recommended. Instead the national sales promotion should be conducted for Natural Meals and around 60% of the funds allocated to both the Dinardo’s should be used for Natural Meals and the rest 40% for the other half. As we can see the effect of cannibalization by top-line revenue and Marketing Margin (Appendix B). Also, Natural Meals is growing rapidly and promoting it may affect the Dinardo’s brand but the sales would shift and it would be an advantage over competitors as they plan on introducing their own organic products.

**2.)**

|  |  |  |
| --- | --- | --- |
| **Solution template - part 1 - Promotion impact on promoted item** |  |  |
|  |  |  |
| **Average monthly volume for:** | **Dinardo 32** | **Dinardo 16** |
| When that item is ON Promotion | 10,460,943 | 6,210,220 |
| When that item is NOT ON Promotion | 6,816,235 | 3,088,565 |
| When NOTHING is ON Promotiona | 7,174,739 | 3,798,942 |
| Incremental Volume from promotion | 3,286,204 | 2,411,278 |
| Revenue change from promotion | $6,901,029 | $5,787,067 |
| Variable Cost change from promotion | $2,425,219 | $2,006,691 |
| Item on promotion % store promoting | 27.08 | 30.80 |
| NOTHING on promotion % store promoting | 7.43 | 7.20 |
| Change is % store promoting | 19.65 | 23.60 |
| Promotion Cost change from promotion | $3,756,824 | $4,307,323 |
| Marketing Margin Change from promotion | $718,986 | $(526,946.47) |
| **Return on Marketing Investment (ROMI)** | **19%** | **-12%** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Solution template - part 2 - considering within brand cannibalization effects of promotion** | |  | |  |
|  | |  | |  |
| **Average monthly volume** | | **Dinardo 32** | | **Dinardo 16** |
| When the other *Dinardo’s* item is ON Promotion | | 5,740,724 | | 424,648 |
| When NOTHING is ON Promotiona | | 7,174,739 | | 3,798,942 |
| Volume change from promotion of other item | | (1,434,015) | | (3,374,294) |
| Revenue change from promotion of other item | | $(3,011,430) | | $(8,098,307) |
| Variable Cost change from promotion of other item | | $(1,058,303) | | $(2,808,123) |
| Promotion Cost change from promotion of other product | | $19,122 | | $72,994 |
| Marketing Margin Change from promotion of other product | | $(1,972,250) | | $(5,363,177) |
|  | |  | |  |
| **Total Brand Impact from Promotion on Top-line Revenue** | |  | |  |
| Total Effect of D32 Promotion | | $(1,197,278) | |  |
| Total Effect of D16 Promotion | |  | | $2,775,637 |
|  | |  | |  |
| **Total Brand Impact from Promotion on Marketing Margin** | |  | |  |
| Total Effect of D32 Promotion | | $(4,644,191) | |  |
| Total Effect of D16 Promotion | |  | | $(2,499,196.25) |
| **Solution Template--Part 3--Considering Promotion Impact of Natural** |  | |
|  |  | |
| Average Monthly Incremental V olume for *Natural* | 705,252 | |
| A verage % Store Promoting for *Natural* | 7.63 | |
| Average Monthly Incremental Volume / Promo Point | 92,477 | |
| Incremental Volume from 25% Promo Points | 2,311,936 | |
| Revenue change from promotion | $6,704,614 | |
| Variable Cost change from promotion | $2,080,742 | |
| Promotion Cost change from promotion | $4,125,417 | |
| Marketing Margin Change from promotion | $498,455 | |
| **Return on Marketing Investment (ROMI)** | **12%** | |

Comparing between Dinardo’s 32, Dinardo’s 16 and Natural Meals the fund should be allocated to Dinardo’s 32 and Natural Meals because the ROMI for Dinardo’s 32 is 19% and Natural Meals is 12% and said by the CFO anything that is more than 0 is ROMI. Dinardo’s 32 has been a well-accepted product with over $425 million revenue annually. On the other hand, Natural Meals has seen amazing growth and with competitors introducing an organic product of their it is important to promote Natural Meals aggressively without thinking about the brand image because the future for organic products is positive and this would be the right time to gain market share. Dinardo’s 16 serves two people and gives an ROMI of -12% indicating that investing in this product would not be advisable and may be the funds allocated for this should be used for Natural Meals.

**Appendix C**

**SWOT Analysis**

Strengths: GCP is liked by its consumers and has the most customer-centric management team in the frozen food industry and has grown successfully over the past 30 years by understanding the trends such as the emergence of dual-career families, increase in commute times and less time available for meal preparation. The company also has quality ingredients in its food which is why people prefer buying different products of GCP. With Dinardo’s and Natural Meals brands GCP has established itself very well in the frozen food market. GCP also has some power over its retailers which gives the company advantage over the competition.

Weakness: The company’s growth is affected due to decrease in sales volume, gross revenue and marketing margin. Also, due to different brands in the frozen food division the risk of cannibalization is always high. GCP has limited options in the frozen food segment including very few vegetarian options. Competitors can understand better the shifting consumer behavior giving them the advantage of better sales promotion while GCP is relying only on the point-of-scale scanner data provided to them by Nielsen.

Opportunity: With the regular growth seen in the frozen food industry specially in the organic food segment, there is a lot of opportunity for GCP to make its products recognized. The power to influence the retailers gives GCP the advantage to promote its products by adopting different strategies. Also, the current market has a lot of demand frozen food and providing what people are looking for is another opportunity which can help GCP improve its financial structure. Consumers are also interested in frozen foods and with time are gaining knowledge about the benefits of consuming frozen foods.

Threat: There are several threats which can be considered to affect the sales promotion strategies of GCP. Competitors are the biggest threat, especially Daft which is planning to introduce its own organically developed products. Retailers are also a threat as they control the promotions and may take advantage by filling their pockets and not passing on the savings to customers. Brand equity erosion is another factor in case of Natural Meals which makes GCP think twice on how should they promote Natural Meals. Also, restaurants are taking the business away

**5C Analysis**

Customers: With the increase in jobs and dual career families and people having less time to prepare their meals and several other similar factors has led to increase in consumption of frozen foods. There are consumers who only buy when a product is discounted and some even stock in advance for future use. People who are health conscious prefer buying from recognized brand rather than a private label and they are looking for more organic options which are quality meals as well as healthy. According to the recent study, it was found that people start with looking for the type of meal then the brand and then the variety.

Context: People from all over the country buy frozen food and the category had seen steady, moderate expansion between 2003 and 2007 with a compound annual growth rate (CAGR) of 2.8% but after 2007 the growth had been much lower than expected. With the advancement in technology it has become easier to display frozen foods and even to transport them conveniently. Frozen foods are also helping the environment since they should be heated and eaten.

Company: GCP has two major brands under its FFD i.e. Dinardo’s and Natural Meals. Dinardo generated $425 million in revenues annually. The meals were simple but the use of quality ingredients made it better than the competitors. Dinardo offers 3 types of packaging; a 32 ounce which serves a family of four, a 16 ounce which is good for “empty nesters” and couples with job who have no kids and a 6 to 8 ounce which would be sufficient for a single person. Natural meals were acquired by GCP in 2006 and contributed to roughly 25% of revenue for the FFD, which is around $150 million annually. The focus of this brand was on health conscious people since the products developed under it were hundred percent organic. The growth rate of Natural Meals was 15% per year over the previous two years. FFD had a 43% national market share(by revenues) in the “Italian Frozen Dinners and Entrée”.

Collaborators and Complementers: Retailers and supermarkets are the main collaborators and complementers. GCP usually informs its retailers about the month in which promotion would be conducted and gave a choice to its retailers to decide which week they should promote the products. Also, for promoting the products a discount in given to retailer as Price-to-retailer(PTR) which the retailer forwards to consumer as Price-to-consumer(PTC) and there is a possibility of non-compliance with pass through in case of PTR. Retailers would bear the loss for any product that is unsold since the orders are processed according to the retailers.

Competitors: Daft is the closest competitor of GCP as it is also developing an organic offering which it may promote in 2009 giving it an advantage over GCP. Daft does not offers with good quality ingredients since its focus is more towards profitability. It is also aware of the shifting consumer habits and implements promotional strategies accordingly and has a market share of 25%. Other competitors include restaurants which have affected the growth of frozen foods.

**7P’s**

Product: GCP has two major brands under its FFD i.e. Dinardo’s and Natural Meals. Dinardo generated $425 million in revenues annually. The meals were simple but the use of quality ingredients made it better than the competitors. Dinardo offers 3 types of packaging; a 32 ounce which serves a family of four, a 16 ounce which is good for “empty nesters” and couples with job who have no kids and a 6 to 8 ounce which would be sufficient for a single person. Natural meals were acquired by GCP in 2006 and contributed to roughly 25% of revenue for the FFD, which is around $150 million annually. The focus of this brand was on health conscious people since the products developed under it were hundred percent organic. The growth rate of Natural Meals was 15% per year over the previous two years. FFD had a 43% national market share (by revenues) in the “Italian Frozen Dinners and Entrée”.

Price: The exact price of the products is not known in the case but the Dinardo’s brand offers cheaper products and come in 3 sizes; 32 ounces, 16 ounces and 6 to 8 ounces’ packages. The Natural Meal brand offers products only in a single size of 16 ounces since it is 100% organic and is considered to be a part of super-premium segment with similar prices for all types of products.

Place: People from all over the country buy frozen food and the category had seen steady, moderate expansion between 2003 and 2007 with a compound annual growth rate (CAGR) of 2.8% but after 2007 the growth had been much lower than expected. With the advancement in technology it has become easier to display frozen foods and even to transport them conveniently. Frozen foods are also helping the environment since they should be heated and eaten.

Promotion: This is the main concern of GCP presently and which brand should be promoted Dinardo’s or Natural Meals? Recently, nationwide promotions were carried out for Dinardo’s as the consumer base for Natural Meals was targeted and the brand value had to be kept as super-premium. The last two years had led to 15% growth in Natural Meals but similar growth was not seen in case of Dinardo’s.

People: With the increase in jobs and dual career families and people having less time to prepare their meals and several other similar factors has led to increase in consumption of frozen foods. There are consumers who only buy when a product is discounted and some even stock in advance for future use. People who are health conscious prefer buying from recognized brand rather than a private label and they are looking for more organic options which are quality meals as well as healthy. According to the recent study, it was found that people start with looking for the type of meal then the brand and then the variety.

Process: The frozen food is manufactured by GCP and developed in-house and the products come under Dinardo’s or Natural Meals depending on the type. The frozen food is transported in refrigerated trucks and are placed directly on the retailers’ aisles. Any products which are damaged or going to expire are removed by GCP and the retailer will bear the loss for any unsold product since the order is receive by the retailer i.e. according to his requirements.

Physical environment: People from all over the country buy frozen food and the category had seen steady, moderate expansion between 2003 and 2007 with a compound annual growth rate (CAGR) of 2.8% but after 2007 the growth had been much lower than expected. With the advancement in technology it has become easier to display frozen foods and even to transport them conveniently. Frozen foods are also helping the environment since they should be heated and eaten.

**Porter’s 5 Forces**

Industry Competitors: Daft is the closest competitor of GCP as it is also developing an organic offering which it may promote in 2009 giving it an advantage over GCP. Daft does not offers with good quality ingredients since its focus is more towards profitability. It is also aware of the shifting consumer habits and implements promotional strategies accordingly and has a market share of 25%. Other competitors include restaurants which have affected the growth of frozen foods.

Potential Entrants: There can be many entrants in this industry since it is a growing industry and food industry is said to be the most profitable industry. Although, currently the entrants would be Daft with its new healthy option as well as the restaurants who are diverting the money towards them.

Availability of Substitutes: There are few substitutes which can be within GCP i.e. if people become health conscious and prefer only organic offerings which would be a factor under cannibalization. Daft which has always operated with the shifting consumer demands is going to launch a healthy option and resturants who have the capacity to pull the crowd completely towards them.

Buyer Power: With the increase in jobs and dual career families and people having less time to prepare their meals and several other similar factors has led to increase in consumption of frozen foods. There are consumers who only buy when a product is discounted and some even stock in advance for future use. People who are health conscious prefer buying from recognized brand rather than a private label and they are looking for more organic options which are quality meals as well as healthy. According to the recent study, it was found that people start with looking for the type of meal then the brand and then the variety.

Supplier Power: Since the products are produced in-house there is no information provided about the supplier in the case but generally it would be meat shops, farmers market, several farms etc.

**BCG Matrix:**

Dogs: These products would be the one offered by Dinardo’s although they may have an established market share but with the suggested pattern it can be accessed that the growth rate has not been very supportive towards Dinardo’s and similar other products offered by competitiors.

Problem child: These products would be the one offered by Natural Meals as they see a significant growth and are more accepted by people since these offerings are healthy. The market share is low for them as GCP does not wants to tarnish the brand image and keep it as a super-premium product. These products whether from GCP or competitors have an ability to become stars if promoted effectively.

Stars: Currently there are no stars in the market and rather a mix for GCP since the company offers products which are Dogs and Problem child. Natural Meals have very appealing products which could make the brand as Stars in the current market.

Cash Cows: Dinardo’s can be considered as Cash Cows since the brand is not seeing any significant growth and is also affecting the firms return on marketing investment (ROMI). But Dinardo can achieve a stable position in the market with focus shifting slowly towards Natural Meals.

**Product Life Cycle:**

Introduction: Dinardo has been the primary brand of GCP for over 30 years with Natural Meals which was acquired in 2006. Both the brands provided frozen foods to cater the population with dual-career families or people who took more time to commute as well as people who didn’t have time to cook their meal.

Growth: Dinardo’s growth was affected and the overall sales volume was decreasing and the ROMI was not as planned. Natural Meals on the other hand was gaining popularity and the market share was increasing slowly.

Maturity: Dinardo had reached its maturity since there was no growth seen for the brand. The sales volume had also decreased and the overall gross revenue as well as the marketing investment were seen to be reducing every year.

Decline: If the sales promotion strategy is not effective as planned then both the brands could be affected and the financial structure of the company would indicate loss which could be a blow to GCP.