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**Individual Case Summary for**

**Breeder’s Own Pet Foods, Inc.**

**MKTG 5150**

**Marketing Management**

**Spring 2023**

Attached is my summary for the Breeder’s Own Pet Foods, Incorporated case. Included are 4 tables that provide supporting data for my recommendation.

# The Problem

Breeder’s Own Pet Foods, Inc. faces the following problem regarding the MMU proposal: “

“Should BOPF accept or reject the MMU proposal. **If the decision is to accept, which expenditure level should be implemented**?”

# Recommendation

BOPF should reject the MMU Proposal based on the results of the market sales potential, break-even analysis, and market share analysis. Although BOPF has had success in the Boston area kennel market, the supermarkets hold a dominant 36% share of the dog food sales market, leaving BM to compete fiercely with other brands.

## Economic Analysis

Market potential and the relevant market**.** Table 1 presents market potential data for the dog food industry in the entire Boston area, which accounts for 1.2% of all U.S. sales.Table 1 provides an overview of the dog food industry's market potential in the Boston area, which accounts for 1.2% of all U.S. sales and is valued at $168,000,000. The market potential is divided into three main categories: Dry dog food, Canned dog food, and Treats. Among these categories, Dry dog food holds 60% of the market and has $100,800,000 in sales, while Canned and Treats hold 20% each and have $33,600,000 in sales each. Furthermore, 36% of dog food sales occur in supermarkets in the Boston area. The sales potential in supermarkets is $36,288,000 for Dry dog food and $12,096,000 for Canned and Treats each. The relevant market for Breeder's Mix in Boston supermarkets is the canned dog food category, which has a total market potential of $12,096,000. This is because the primary sales source for Breeder's Mix will be supermarkets, and the canned dog food category holds the entire relevant market in Boston supermarkets.

Alternatively, market potential can be estimated from the survey data compiled by Table 2 estimates the sales data for three categories of dog food, namely dry, canned, and treats, in the Boston area based on the assumption that Boston represents 1.2% of all dog food sales in the U.S. The estimated sales for each category in Boston are calculated by multiplying the national sales data by 1.2%. Additionally, the table provides an estimate of the sales of each category in Boston supermarkets, assuming that 36% of the total dog food sales in Boston occur in supermarkets. Table 2 analyzes the survey intentions data to estimate the market potential for Breeder's Mix in the Boston area. The survey data show that only 10% of people have bought frozen dog food, and 15% are willing to try it, indicating a potential market share of 25%. The scope of the survey is divided into four categories: Total Boston Supermarket, canned and dry segments combined, canned segment only, and dry segment only. The potential sales in these categories are $15,120,000, $12,096,000, $3,024,000, and $9,072,000, respectively.

Brand position and price determination**.** To determine the price of Breeder's Mix in the canned dog food category, a comparative analysis against competitor prices is necessary. Despite frozen food having a similar taste to snacks and canned food, it is less competitive in terms of pricing, preparation simplicity, storage, and placement in supermarkets. The pricing data and contribution data for Breeder's Mix are presented in Table 3. Pricing options for each category are determined by dividing the price per package by the ounces per package, which gives the price per ounce. Using the price per ounce, it is possible to calculate the price per pound and the price per case.

Pricing option 1

This price option is based on a price comparison with Cesar Select Price. From Table3, the selling price to consumers is $0.31 per ounce, $4.96 per pound, and $59.52 per case of 12 pounds. The selling price to retailers is $0.24 per ounce, $3.87 per pound, and $46.43 per case of 12 pounds.

Pricing option 2*.* This option is based on a price comparison with Newman's Own, The selling price to consumers is $0.20 per ounce, $3.20 per pound, and $38.40 per case of 12 pounds. The selling price to retailers is $0.16 per ounce, $2.50 per pound, and $29.95 per case of 12 pounds.

Contribution estimates**.** Contribution estimates for each pricing option are based on pricing options one and two above. The estimates include contribution per pouch and per case:

Pricing option 1*.*  The selling price to retailers for pricing option one yields a contribution of $0.184 per Ounce, $2.94 per Pound and $35.31 per case with a contribution margin of 76%

Pricing option 2*.*  The selling price to retailers for pricing option two yields a contribution of $0.10 per Ounce, $1.67 per Pound and $19.99 per case with a contribution margin of 67%

Break-even analysis and interpretation**.** Table 4 summarizes the calculations for break-even sales needed for both pricing options as discussed earlier…

Expenditures of $530,000***.*** Fixed costs of $530,000 (which includes the $30,000 yearly slotting fees for freezer space) Using Price 1 ($59.52 per case) break-even estimates yields a break-even in cases sold to retailers of 15012, the break-even in sales dollars is $696,927 and the Boston market share needed to break even is 0.41%. Using Price 2 ($38.40 per case), break-even estimates yields a break-even in cases sold to retailers of 26519 the break-even in sales dollars is 794309 and the Boston market share needed to break even is 0.47%.

Expenditures of $730,000. Using Price 1 ($59.52 per case) break-even estimates yields a break-even in cases sold to retailers of 20676, the break-even in sales dollars is $959918 and the Boston market share needed to break even is 0.57%. Using Price 2 ($38.40 per case), break-even estimates yields a break-even in cases sold to retailers of 36527 the break-even in sales dollars is $1094049 and the Boston market share needed to break even is 0.65%.

***Break-even market share interpretation***. For Expenditures of $530,000, using Price option 1 ($59.52 per case) and Price Option 2($38.40 per case), From Table 4, we get the BE Market share neede are 0.41% and 0.47% repectively. It shows that that option 1 would be the more favorable choice because of the lower market share needed to BE.

For Expenditures of $730,000, using Price option 1 ($59.52 per case) and Price Option 2($38.40 per case), From Table 4, we get the BE Market share neede are 0.57% and 0.65% repectively. It shows that that option 1 would be the more favorable choice because of the lower market share needed to BE.

Given that the Boston area's overall market share for frozen food is at 1%. There won't be enough room for earnings without further growth.

## Impact of Trade Acceptance

A study found that 15% of dog owners do not purchase frozen dog food due to convenience or availability, while 75% of dog owners have no interest in doing so. However, since Breeder's Mix is made available even at higher slotting costs, the availability issue is not important. By directing dog owners to buy in a different section of the store where frozen dog food is less likely to be found, Breeder's Mix may take longer to gain popularity. The question is whether Breeders Own Pet Foods can sufficiently highlight the advantages of their frozen food to persuade customers to choose their product over the competition. According to the imputs from MMU, it seems doubtful.

**Consumer Buying Behavior**

As a consumer, few would look in the frozen aisle for dog food. Additionally, most supermarkets require greater margins for frozen products as they have extra storage requirements and additional steps in handling the product. Frozen storage is limited compared to non-frozen products and can be a greater hassle for the supermarket. Customers tend to be creatures of habit and frequently shop at the same supermarket, following the same routine, and are familiar with the products they are purchasing and the locations of various items. This behavior is also observed in customers who purchase dog food, and 75% of them would not consider buying frozen dog food.

**Effectiveness of the Introductory Promotion Program**

The introductory promotion program aims to increase brand awareness and trial usage among consumers in the Boston market by offering high-quality frozen food at a premium price point. However, the TV ads may be limited, with most going into one program, one timeslot, and one channel, which may not provide enough schedule coverage for the targeted audience. This can be a concern, given the target market of 21-54 year olds. Additionally, the effectiveness of 30-inch print ads in newspapers is not helpful. Therefore, it is important to develop a comprehensive marketing strategy that includes a mix of media channels and promotional tactics to reach the target audience effectively.

**Table 1. Market Potential Based on Product Category**

|  |  |
| --- | --- |
| **Total Market Potential in Boston** | |
| ***Category*** | ***Dog Food Sales1*** |
| Dry | $100,800,000 |
| Canned | $33,600,000 |
| Treats | $33,600,000 |
| Total | $168,000,000 |

|  |  |
| --- | --- |
| ***Total Market Potential Boston Supermarkets2*** | |
| ***Category*** | ***Dog Food Sales*** |
| Dry | $36,288,000 |
| Canned | $12,096,000 |
| Treats | $12,096,000 |
| Total | $60,480,000 |

|  |  |
| --- | --- |
| **Relevant Market Potential3** | |
|  | ***Dog Food Sales*** |
| Canned | $12,096,000 |

1 For Total Boston Market,There is dry food which is 60% or $8.4 billion x 1.2% = $100,800,000. Canned food is $2.8 billion x 1.2% = $33,600,000. Treats is $2.8 billion x 1.2% = $33,600,000  
2. For Boston SuperMarket Potential,Dry dog food is calculated as $100,800,000 x 36% = $36,288,000. Canned food and Treats are calculated as $33,600,000 x 36% = $12,096,000.  
3 The Relevant market potential is 100% of the canned category

**Table 2. Market Potential Based on Survey Intentions Data**

|  |  |
| --- | --- |
| **Total Frozen Dog Food Market Potential in Boston Supermarkets** | |
| ***Geographic or Segment Scope*** | ***Potential Frozen Dog Food Sales[[1]](#footnote-2)*** |
| Total Boston Supermarket | $15,120,000 |
| Canned plus Dry Segment | $12,096,000 |
| Canned Segment Only | $3,024,000 |
| Dry Segment Only | $9,072,000 |

**Table 3. Selling Prices to Consumers and Retailers**

**Pricing Option 1**

**(Based on Cesar Select price):**

|  |  |  |  |
| --- | --- | --- | --- |
| Product/Size | Selling Price to Consumers[[2]](#footnote-3) | Selling  Price to Retailers[[3]](#footnote-4) | Contribution[[4]](#footnote-5) |
| 1 ounce | $0.31 | $0.24 | $0.184 |
| 1 pound (Pound) | $4.96 | $3.87 | $2.94 |
| 12 pounds (Case) | $59.52 | $46.43 | $35.31 |

**Pricing Option 2**

**(Based on [brand] price):**

|  |  |  |  |
| --- | --- | --- | --- |
| Product/Size | Selling Price to Consumers[[5]](#footnote-6) | Selling  Price to Retailers[[6]](#footnote-7) | Contribution[[7]](#footnote-8) |
| 1 ounce | $0.20 | $0.16 | $0.10 |
| 1 pound (Pound) | $3.20 | $2.50 | $1.67 |
| 12 pounds (Case) | $38.40 | $29.95 | $19.99 |

**Table 4. Break-even Analysis**

**Break-even Analysis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ***$530,000 Budget*** | | ***$730,000 Budget*** | |
|  | ***Price 1[[8]](#footnote-9)***  ***($59.52 per case)*** | ***Price 2[[9]](#footnote-10)***  ***($38.40 per case)*** | ***Price 1***  ***($59.52 per case)*** | ***Price 2***  ***($38.40 per case)*** |
| Total Fixed Costs | *530,000* | *530,000* | *730,000* | *730,000* |
| Contribution per Ounce | *0.184* | *0.10* | *0.184* | *0.10* |
| Contribution per Pound/Pouch | *2.94* | *1.67* | *2.94* | *1.67* |
| Contribution per Case | *35.31* | *19.99* | *35.31* | *19.99* |
| Contribution Margin | *76%* | *67%* | *76%* | *67%* |
| Break-even in Cases[[10]](#footnote-11) | *15012* | *26519* | *20676* | *36527* |
| Break-even in Sales Dollars | *696927* | *794309* | *959918* | *1094049* |
| Break-even in Market Share[[11]](#footnote-12) | *5.76%* | *7.94%* | *6.57%* | *9.04%* |
| BE(MS Total Boston) | *0.41%* | *0.47%* | *0.57%* | *0.65%* |
| BE(MS Total Boston Supermarket) | *1.15%* | *1.31%* | *1.59%* | *1.81%* |

1. Based on reported survey data suggesting that 15% of consumers are willing to try a frozen dog food and another 10% have purchased frozen in the past. [↑](#footnote-ref-2)
2. 1. For the selling price to consumers, For 1 ounce we have $0.31 For 1 pound we have $0.31 x 16 = $4.96. 12 pound is $4.96 x 12 = $59.52.  
   2 Selling price to retailers is the selling price to consumers x 78% with an assumption of 22% gross profit margin.  
   3 Contribution is $3.87 x 93% - 7.87 / 12 per pound and calculated accordingly

   4 Option 2 selling price to consumers, For 1 Ounce we have $0.20 we have $0.20 x 16 = $3.20. 12 pound is $3.20 x 12 = $38.40  
   5. Selling price to retailers is the selling price to consumers x 78% with an assumption of 22% gross profit margin  
   6 Contribution is $2.50 x 93% - 7.87 / 12 per pound and calculated accordingly [↑](#footnote-ref-3)
3. [↑](#footnote-ref-4)
4. [↑](#footnote-ref-5)
5. [↑](#footnote-ref-6)
6. . [↑](#footnote-ref-7)
7. [↑](#footnote-ref-8)
8. Based on Cesar having a select price of $0.31 per ounce [↑](#footnote-ref-9)
9. Based on Newman having a price of $0.20 per ounce [↑](#footnote-ref-10)
10. BE on Cases for each Option= Total Fixed Cost/ Contribution Per Case.530000/35.31=15012, 5300000/19.99=26519,730000/35.31=20676, 730000/19.99=36527 [↑](#footnote-ref-11)
11. The relevant market is defined as a market that sells a specific product or service. Relevant market size is based on canned food [↑](#footnote-ref-12)