

# 35 Strategic analysis

## Revision case study 1 (page 629): 'Cash cow' at the dairy

- 1 *Classify each of these products according to the Boston Matrix. Justify your classification. [8]*
  - Gold Seal milk is a cash cow. It has a high market share in a mature market. There is no or only low market growth.
  - Lo Fat yoghurts is a problem child. Its market share remains quite low, but this is a growing market segment as it is 'becoming one of the fastest-growing segments in the high-profit-margin yoghurt market'.
  - Churn butter is a dog. There is no growth in the market due to health concerns and Churn butter is a 'weak' brand with a low market share.
  - Hi Energy spread is a star. It has a high market share of 31% and the market is growing due to the healthy-eating concerns of consumers.
- 2 *Discuss how this analysis might assist managers when deciding on future marketing strategies. [10]*
  - The Boston Matrix is a technique used for analysing the market position of a firm's products. It provides a useful overview of the product portfolio and is a starting point for making marketing decisions about the portfolio and future marketing strategies.
  - Having identified the position of its products within the matrix, FarmGate will be able to make decisions about which products to focus support on and which products should be considered for divestment. For example, Churn butter with a declining market share should be considered for withdrawal. Further promotional expenditure to support the brand may be wasting resources. Resources could better be used to support the development of Lo Fat yoghurts and maintain the position of Hi Energy spread within the market.
  - The Boston Matrix helps businesses focus on the need for a balanced product portfolio. Cash cows provide the positive cash flows to support the development of stars and problem children.

### Evaluation may consider:

The Boston Matrix is a blunt analytical tool as it focuses only on market share and market growth. Further, it assumes that market share is linked to profit; this is not necessarily true, as a high market share may be the result of aggressive pricing and, therefore, profit will be low.

The Boston Matrix does not predict future success and on its own cannot tell a manager what will happen next. The decisions of competitors and changes in the external environment will be crucial influences on product performance.

It is, therefore, most useful as a tool for the initial assessment of the product portfolio and may suggest suitable strategies as a result, but product managers will have to supplement the analysis with market research and be conscious of the dynamic business environment in developing strategies for the future.

**3** *Assess what strategies the business could adopt for either Lo Fat yoghurts or Hi Energy spread. [10]*

**Lo Fat yoghurts** The strategy adopted will wish to build Lo Fat yoghurts' position in the market, that is improve its market share. Answers may consider the following points:

**Marketing objective** Increase sales by  $x\%$  above the market growth rate.

**Marketing mix:**

- Secure more distribution outlets to increase availability of the Lo Fat yoghurts – a failure to secure supermarket listings was thought to be instrumental in Nestlé withdrawing Boosted Smoothies.
- Below-the-line promotion may be used to support the place objective – for example, offering point-of-sale displays and discounted prices to retailers.
- Above-the-line promotion through advertising the product during health-related programming on TV and/or use of specialist magazines focused on health – advertising decisions will depend on the marketing budget available.
- Penetration pricing strategy – although the product was launched two years ago, it may still be necessary to use a penetration pricing strategy as the objective is to build sales rapidly.
- Develop the product to maintain consumer interest by developing new flavours or launching new product sizes.

**Hi Energy spread** A holding strategy may be adopted for Hi Energy spread, that is the aim will be to maintain its position in the market in terms of market share. Answers may consider the following points:

**Marketing objective** Increase sales in line with the overall growth of the market.

**Marketing mix:**

- As the product is five years old, it may be time to consider re-packaging the product to maintain consumer interest and differentiate it from new competition.
- The product should be developed – for example, by looking at how it can be made 'healthier'. Low-fat options or addition of omega oils might generate higher sales.
- Competitive pricing – as there are new brands on the market, competitive pricing will still be necessary.
- Promotion should focus on developing brand image to boost consumer loyalty. As this is competing in the health-food market, promotion might be targeted through, for example, health magazines.