

What's the Best Marketing Strategy?

In this mini case study, a hypothetical manufacturer of pasta and related products is faced with a choice of four different marketing strategies.

Your task in this exercise is to determine which strategic path is the best for them. All four strategic options have a supportive rationale, so which one will you choose?

The Little Italy Pasta Company

Clive, the owner of the Little Italy Pasta Company, was not happy. While sales were up on last year, profits were well down. This is the fault of the new marketing manager, Mitchell, who he hired last year.

Mitchell's plan was to dramatically increase market share, which he argued would lead to cost efficiencies and increased overall profits. While market share did increase somewhat, there was a dramatic increase in marketing expenses that wasn't offset in the cost of the operations. The financial figures are as follows:

Year	Year 1	Year 2	Year 3
Sales (\$m's)	7.4	8.2	10.8
Market share	6.1%	6.5%	8.2%
COGS (\$m's)	2.2	2.5	3.2
Marketing expenses (\$m's)	1.4	1.5	3.5
Fixed Costs (\$m's)	2.6	2.7	2.9
Pre-tax profit (\$m's)	1.2	1.5	1.2
Brand awareness	16%	17%	25%

In recent months, Clive had commissioned three different marketing consultants to produce a report on what the firm should do now. The only problem is that they are saying to implement different strategies. That's why he needs your help!!!

Consultant 1 – Jasmine

"After reviewing the operations of the Little Italy pasta company, it is clear that the major problem facing the firm is the lack of access to major supermarket chains. This is limiting your sales expansion and the ability to truly build your brand. However, you need a suitable entry strategy into this particularly competitive channel.

Therefore, it is recommended that you introduce a range of novel pasta shapes and flavors. This will both create publicity and give your sales team a 'real shot' at getting mainstream distribution. In terms of your major objectives, I would suggest that sales growth, channel expansion, and product development goals be set."

Consultant 2 – Grace

“Little Italy has a number of strengths. It has a good distribution base (outside the major retailers), it has growing customer loyalty, and had good consistent quality and flavor. To target increased growth, however, will be quite difficult. It would require a move into the main supermarket channels, which I would strongly advise against. You do not have the production or distribution capacities to provide the required volumes, plus it would weaken your positioning.

Therefore, I would recommend that you enhance your position as a gourmet pasta provider. Stick to your existing channels (of smaller supermarkets, delis, and fruit and vegetable stores) and slowly introduce more up-market versions. This will ensure slow steady growth, while greatly enhancing profitability. In terms of your major objectives, I would suggest that profitability and market positioning be the priorities.”

Consultant 3 – Neville

“People want easy-to-prepare meals that are great value. It’s that simple! Your products are a little too ‘gourmet-ish’ (too up-market). That means that they take longer to prepare and are considered a bit expensive. Your previous market research has highlighted these problems. That’s why the major supermarket chains won’t stock your products – your positioning doesn’t fit with their ‘mainstream’ target market.

What you need to do is to go down-market. More pre-cooked pasta choices that can be cooked in 5 minutes – not 12! And cut out some of the fancy ingredients to get the cost down. I would recommend that you set an objective for a much lower COGS (cost of goods sold) ratio.”

According to their current Marketing Manager – Mitchell

“We’re in the middle of a growth market. People are looking for better quality meals that they can easily prepare at home. There are plenty of low-cost – low-quality meals available. That’s a tough market to be in – very crowded and very competitive. What we need to do is to stay ‘gourmet’.

But we need to build a stronger brand as soon as possible. That’s what I’ve been working on. That’s the key to our financial future. Sure, with increased production, our average costs will fall a bit, but not enough to cover our investment in brand building. So, this means we will decrease profitability for a while – but it’s a long-term investment!!! Our objectives should clearly be market share and brand awareness – nothing else is important at this stage.”

Student Discussion Questions

1. What are the key points of each plan? Do they have any aspects in common, or are they quite different strategy approaches?
2. Which strategy option do you consider to be the best for the Little Italy Pasta Company? Why?
3. Should Clive be unhappy with Mitchell, or does Mitchell’s plan have some merit? Why/why not?
4. Is there another strategic approach (not listed above), which could also be viable for the firm?
5. Do you think that there is generally one best marketing strategy option available to firms, or is there usually two or three equally viable plans that they could successfully pursue?