

What's the Best Strategy Choice?

In this mini-case study, you need to select the most appropriate growth strategy for a producer of cheeses from a choice of seven options. The key to this exercise is to consider the firm's existing strengths and how they could best leverage those in the marketplace.

Potentially you may choose to integrate two or more of the strategies provided in your overall recommendation. The case study is based on a hypothetical firm named 'Barry's Cheeses'.

Barry's Cheeses: Best Strategic Choices

Barry runs a small business that produces unique flavors of cheese. His direct customers are gourmet delicatessens and up-market restaurants (who then sell to end-consumers).

Currently his factory produces seven different varieties of cheese. His gross margin is roughly \$2m pa, with a net profit of about \$500,000pa after fixed costs (mainly rent, equipment costs and staff).

In this 'gourmet-end' of the market, there is really only one similar direct competitor. However, while they are significantly larger, they don't tend to compete "head-to-head". That is, they offer different style of cheeses, rarely use discounting, and don't approach Barry's existing customers.

His small sales team has approached the major supermarket chains in the past; however, they are only interested in mass-market cheese, and/or firms who are willing to invest at least \$500,000 in order to build their brand. Additionally, the large chains also have strong relationships with key manufacturers like Kraft.

Obviously, like most firms, Barry wants to grow his business. He wants you to tell him which of the following options is the best strategic approach:

1. Double his sales team and focus on selling more cheese to the restaurant market (that is, get more NEW customers)
2. Use more frequent discounting so that his existing customers will buy more cheese
3. Keep expanding his gourmet cheese range by adding another unique variety every 12 months or so
4. Introduce a 'mass-market' cheese so that he can access the supermarket channel
5. Match the cheese varieties offered by his main competitor, and then offer discounts to try and 'steal' their competitor's customers,
6. Expand into other gourmet-style products that would also be of interest to his existing customers (such as antipasto, olive oils, yogurts, etc.)
7. Try to build a brand 'cheaply', through publicity and sponsorships, with the end goal of opening his own chain of "Barry's Cheese" stores, and then franchising them.

Student Discussion Questions

1. How would you define Barry's current strengths?
2. Given the strengths of the firm, which of the strategic options listed above should they pursue? Why?
3. Is your choice of strategic options likely to remain sustainable and competitively viable into the foreseeable future?
4. Do you see this firm as having a strong future? Why/why not?