

## Client Situation



A regional, vertically integrated restaurant company and manufacturer of select packaged goods experienced a rapid reversal in the performance of its packaged goods division. While the division had weathered unprofitable periods in the past, increasingly challenging market conditions suggested a return to profitability, if feasible, would require a significant shift in strategy from the status quo. Senior management's opinions about the division's future varied, with some questioning the viability of remaining in the business altogether.

Alliance was retained to lead a cross-functional team of sales, marketing and manufacturing managers. The team was charged with assessing market conditions and options for the packaged goods division and thereafter developing a comprehensive strategy for either returning to profitability and remaining a viable brand in the marketplace or exiting the business accordingly.

## Alliance Approach

The joint team systematically gathered and analyzed data about consumers, retailers and competitors in addition to internal information to understand the drivers behind the division's retreat in profits. The team formed the following insights:

- Retailers were increasing the frequency and intensity of price promotions. The category was managed as a traffic generator, and manufacturer competition for weekly deal slots was depressing promotional price points to unprofitable levels.
- Consumers' behavior was shifting from preference-driven to price-driven buying. Almost all category volume was being sold on deal. The company's brand was one of the most heavily promoted, and consumers' perception of the brand had deteriorated over time.
- Competitors were able to leverage differentiated business models. Greater vertical integration and brand portfolios resulting from industry consolidation allowed competitors to manage increasing materials costs and presented cross-category marketing opportunities.

## Recommendations/Results

These market insights coupled with a thorough review and modeling of feasible options for the division led the team to recommend a comprehensive strategy for returning to profitability. This strategy was centered on the following:



- De-emphasize the role of market share leadership to permit the sales team to reduce dependence on weekly deals and walk away from unprofitable promotions.
- Re-launch the brand with new packaging, new flavors, and innovative product forms, and support the brand with targeted marketing. Invest in brand building and the development of proprietary products to drive full-revenue purchases while adopting cost optimization initiatives.
- Retrench retail distribution to core markets where the company's brand equity is strongest. Explore synergies with the company's restaurant division and innovative cross-channel promotions.

As a result of the team's recommendations, senior management achieved consensus on next steps for the division. The brand is currently being overhauled for re-launch. Given the competitiveness of the market and the emergence of two dominant consolidated, multinational, cross-category players, the packaged goods division will be managed as a profitable, secondary, regional player going forward.