



The marketing mix in the food industry



Curriculum Topics

- Product
- Price
- Place
- Promotion

Introduction

McCain Foods was founded in 1957 in Canada by the McCain brothers – Harrison, Wallace, Robert and Andrew. McCain Foods is now the largest chip producer in the world with a market share of almost 33% and more than 20,000 employees working in 57 locations worldwide. Since 1968 McCain GB has been operating from its UK base in Scarborough, North Yorkshire. McCain prides itself on the quality and convenience of its product range and for over three decades has been making healthier versions of favourite staple foods.

The McCain brothers had a simple philosophy – ‘Good ethics is good business’. This lies behind the McCain **brand** message ‘It’s All Good’. It is not just the food that is good. The philosophy also refers to the way McCain works with its suppliers and builds its relationship with its customers. McCain believes it is important to take care of the environment, the community and its people. It works with around 300 farmers in the UK, chosen for the quality of their potato crop. McCain factories are located in key potato growing areas, which helps to reduce **food miles**.

A further example of the way McCain is reducing its impact on the environment is the installation of three 125m high wind turbines to generate electricity for its Whittlesey factory near Peterborough.

McCain is the first major UK food manufacturer to use alternative energy to help power a large factory. McCain also gives back to the community by committing resources to both local and national projects.

McCain supports a wide range of local charities and good causes. Nationally, McCain has a five-year agreement with UK Athletics to promote track and field sport in the UK.

McCain strives to be a company making good, simple food in an increasingly **sustainable** way, while meeting business objectives. To achieve this, the business ensures that it balances the four elements (the four Ps) of the **marketing mix**. A product or service will have its own different mix of the four Ps. The right mix will achieve marketing objectives and result in customer satisfaction:

- **Product** - this has to look and taste good and be made from wholesome ingredients
- **Price** - the price has to be attractive to ensure enough sales to generate a profit
- **Place** - the place and position of the product in the market is important to compete for market share
- **Promotion** - this has to fit the company’s objectives for the product.

This case study shows how McCain combines all four parts of the marketing mix to develop its marketing strategy.

Brand: A name, symbol or design used to identify a specific product and to differentiate it from its competitors.

Food miles: Refers to the distance food is transported from the time of its production until it reaches the consumer.

Sustainable: Able to continue over a period of time without reducing the resources available for the next generation to use.

Marketing mix: A series of variable factors used by an organisation to identify appropriate strategies to meet customer needs.

Promotion: Making products and services better known to customers through a range of activities.



Product

McCain Foods is the world's leading manufacturer of frozen potato products. Although McCain is perhaps best known for producing Oven Chips, its product lines are much wider.

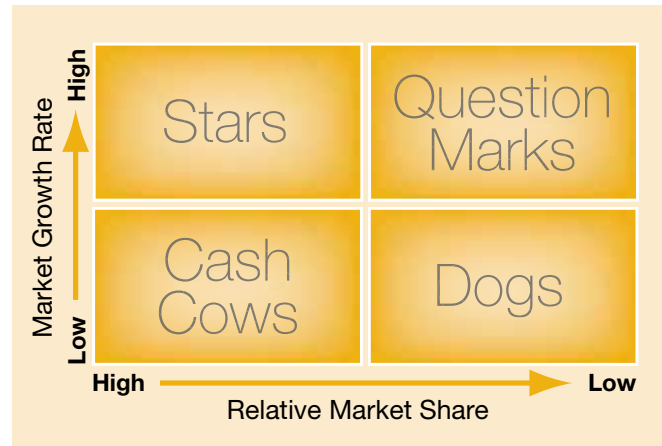
In the UK they include various other potato products such as McCain Wedges and McCain Home Roasts, as well as McCain Sweet Potato and McCain Micro Pizza. In other countries McCain sells a variety of foods including frozen vegetables, ready meals and desserts. Some products, for example, McCain Oven Chips, captured the public imagination immediately and continue to sell well without needing to be changed. Other products change through time or are adapted to create new variations, e.g. curly fries or thin and crispy fries.

Changes in the range are driven by a number of different factors. For example, microwaveable snacks take account of changing lifestyles, where people are looking for food that does not take long to prepare. McCain has also been responsive to market needs for healthier options and its products support the government's Change4life campaign. This encourages people to 'Eat Well, Move More, Live Longer'.

The company's philosophy supports the 'calories in/calories out' principle. This states that to maintain a healthy weight, calories consumed should not exceed calories used. This also forms part of the 'It's All Good' message – not only does McCain food taste good, but it fits in with current thinking on healthy diets. McCain now only uses sunflower oil in the preparation of its chips. It knows that customers want to eat healthily without compromising on taste and it is careful to use wholesome ingredients in its products. Having a wide range including healthier options, such as Oven Chips, as well as products developed for taste, e.g. Wedges, means the company can meet different consumer needs for different meal occasions.

To protect **quality** throughout the whole **supply chain**, McCain manages its own potato seed development. After specially selecting the seeds, McCain works closely with around 300 farmers to ensure the potatoes are grown to a high standard and harvested at their peak. Only the best potatoes are chosen to make McCain chips and potato products. McCain Foods' product offering extends outside the home to include food service. This provides products specially designed for use in restaurants and canteens.

A useful tool to help a business analyse its product lines is the Boston Matrix.



The Boston Matrix identifies four types in a company's product portfolio:

- **Stars.** These products have a high market share in markets that are growing quickly. For example, the Playstation was a star when it was first introduced into the games market.
- **Question Marks.** These products have a low market share in a growing market. Costs are more than returns as the company tries to increase market share. An example of a Question Mark could be a newly launched fashion item or a new car model.
- **Cash Cows.** These products have high market share in established markets, for example, cornflakes in the breakfast cereals market.
- **Dogs.** These products have low market share in a low growth market. A company may look to get rid of these products or invest in marketing to improve sales. For example, DVD recorders have replaced video recorders which became Dogs for the electrical firms making them.

A business wants to avoid any of its products being Dogs, although this may happen as technology, innovation and trends change. Stars can be cash-flow neutral. This means that although they generate income, money needs to be spent on promotion. Stars should in time become Cash Cows. Cash Cows generate income and require little investment. Question Marks (sometimes called Problem Children) generate costs in terms of promotion, while returning little. Businesses hope that they will turn into Cash Cows with some investment. However there is the danger that they could become Dogs.

Quality: Standards of value and performance that meet or exceed both internal and external customer needs and requirements.

Supply chain: The chain of processes linking the manufacture of products with physical distribution management so that goods are moved quickly and

efficiently through various processes to meet consumer needs.



Price

In pricing its products, a business must consider four things:

- Business objectives. The business may set its pricing to achieve a number of different objectives. These may be to:
 - maximise profits
 - achieve a target return on investment
 - achieve a target sales figure
 - achieve a target market share
 - match the competition.
- Costs. In order to make a profit a business must make sure that its products are priced above their cost. The total cost of a product includes **overheads** such as research and development, investment in equipment, people and technology, as well as direct costs, such as raw materials and ingredients.
- Competitors. If there is no competition the business can set whatever price it chooses. On the other hand, if there is **perfect competition** then the business must accept the market price for its products. In most cases the reality is somewhere in the middle.
- Customers. The business needs to consider what its customers' expectations will be. For example, customers may be prepared to pay more for a product that is unique or produced in an ethical and sustainable manner. This would place it as a premium brand above its competitors.

McCain uses a range of pricing strategies associated with adding value for money. For example, 'extra-fill' packs can give the customer up to 30% extra free. This rewards regular buyers of a particular product. McCain may also offer its products at a special promotional price using price-marked packs to encourage people to try the product.

Overheads: Costs arising from running of a business e.g. rent, rates.

Perfect competition: Where no participant in the market can influence the price of the product it buys or sells.

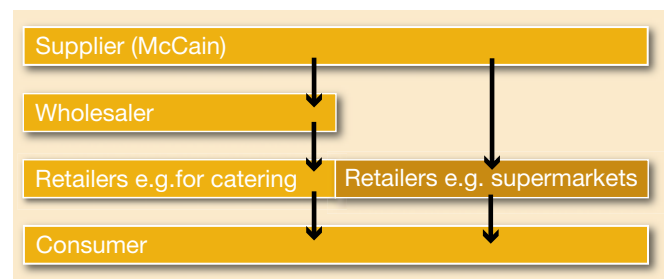
B2B: Sales by one business to another, rather than B2C which involves selling directly to the final consumer. Used to describe transactions between companies.

Place

Place describes the channels McCain uses to position its products in the marketplace. As a business-to-business (**B2B**) organisation, McCain does not sell directly to its consumers. Instead it places its products with **wholesalers** and retailers, such as major supermarket chains. McCain may then be able to influence how its products then reach the consumer at the **point-of-sale**. For example, it may secure key positions for its products in stores. By paying for end-of-shelf positions for its products, customers are more likely to see and buy them.

McCain does not use its own vehicles to distribute products to its customers. Transportation is outsourced, which means another organisation carries out the deliveries. Products are delivered directly to retailers' central depots for onward distribution to their stores. Alternatively, they may go to wholesalers, who sell them on to other businesses such as restaurants. McCain takes the need for sustainability and reducing its impact on the environment into consideration in transporting its products. For example:

- Where possible local farmers are used to reduce food miles.
- Double-decker trucks are used, saving in the region of 2,000 lorry journeys a year.
- The lorries have built-in solar panels which helps to provide additional power, for example, to help with the internal lifting mechanism.



Promotion

A further demonstration of the 'It's All Good' ethos is McCain Foods' **ethical** stance on promotion. McCain makes a commitment not to advertise to children under 12 years old. It also ensures that the retail labeling on its products carries clear information on levels of fat, saturated fat, salt and sugar to help shoppers choose healthier options. Its labeling is in line with the Food Standards Agency (FSA) traffic light scheme and the food industry's Guideline Daily Amounts (GDA).

Point-of sale: The branch or outlet where consumers can purchase goods or services. This is an important contact point to ensure good customer service.

Wholesalers: Selling goods in large amounts to shops and businesses,

rather than selling goods in shops to consumers.

Ethical: Guided by moral principles or rules of conduct and behaviour that are accepted by members of society.



Promotion falls into two main categories:

- **Above-the-line** promotion
- **Below-the-line** promotion.

Above-the-line promotion is paid for and includes traditional advertising routes such as television, radio and the press. These are good for carrying marketing messages to a large audience. However, it is less easy to measure the impact of these channels, for example, whether a TV advert has increased sales. Special displays or positioning in stores or advertising on supermarket trolleys are also examples of McCain's above-the-line promotional activity.

Below-the-line promotion can take many forms and is usually more under the control of the business. Typical examples include events or **direct mail**. McCain uses a combination of below-the-line activities including:

- door-to-door leaflet drops or books of vouchers which give customers discounts over a period of time. These help to attract consumers and establish brand loyalty so the consumer buys the product again.
- email newsletter for consumers. This creates a relationship with consumers, which is unusual for a B2B organisation. It not only allows McCain to communicate directly with and listen to consumers, it also enables the business to collect information, for example, about their lifestyles and product choices. This is used for feedback, research and promotions.

Public relations (PR) is a form of promotion that is concerned with developing goodwill and understanding between organisations and the public. For example, McCain uses its relationship with UK Athletics to deliver 'Track and Field' roadshows across the UK. These emphasise the link between healthy food and healthy lifestyle. Again, this aligns with the 'It's All Good' message.

McCain also takes part in different types of **sponsorship**, such as:

- TV show Family Fortunes. This brings the McCain brand to a wide audience through a popular family programme.
- McCain Athletics Networks which encourage young people to get involved in the sport through local clubs. This further supports the company's approach to balancing calories in with calories out.

McCain also aims to promote better understanding of where food comes from through initiatives such as The Potato Story. This is an educational resource that helps teach children about how potatoes grow and their place in a balanced healthy diet.



Conclusion

'It's All Good' is a message that is embedded in all aspects of McCain Foods' marketing mix. Not only are the products designed to look and taste good, they are produced from good quality crops in a way that addresses people's concerns about issues such as health and the origins of their food. This helps to ensure that McCain remains a trusted brand.

McCain also takes great care to minimise its impact on the environment. Its products are placed in the market in a way that reduces both food miles and carbon emissions. Promotion of the products focuses on the positive relationship between McCain food and a healthy diet and reinforces the importance of food and exercise in a healthy lifestyle.

1. Which four Ps make up the marketing mix?
2. Explain the different product categories in the Boston Matrix. Why is this a useful tool for businesses?
3. Analyse how McCain Foods' promotional strategies tie in with its message 'It's All Good'.
4. Consider other promotional strategies McCain could use and say whether they are above- or below-the-line.

QUESTIONS

Above-the-line: Direct expenditure on advertising, such as for a TV advertisement.

Below the Line: Use of indirect promotional methods such as public relations and advertorials; promotional activity other than advertising.

Direct mail: Targeted leaflets and publicity.

Sponsorship: Long term association where a business provides funding to another body, involving the co-ordination of promotion, branding, activities to mutual benefit.