



HELPING A PACKAGED FOOD COMPANY SURVIVE AND THRIVE IN A CHALLENGING COMPETITIVE ENVIRONMENT

Business Type: Pizza Manufacturing and Distribution

Manufacturing Capability (in 1994): Limited

Financial Strength (in 1994): Fair

Relevant Retail Category: Frozen Pizza

The Challenge: A Major Shift in the Competitive Environment

By 1994, the retail landscape for small pizza manufacturers and distributors had changed dramatically. The emergence of two colossal manufacturing and marketing giants, Kraft and Schwan's, had forced many regional companies to retrench in an effort to protect their home markets. The large companies simply had too much of everything...money, new products, relationships and a well-developed direct-store-door delivery network (DSD). The regional manufacturers, who had expanded beyond their manufacturing base of operations, were quickly attacked, losing product distribution while facing a more costly retail environment in the form of higher advertising fees and deeper discounts. Economies of scale relating to production and marketing were significantly and adversely affected with the retrenchment.

The predicament facing our manufacturer was formidable. How could we possibly compete and remain in business against the onslaught of Tombstone, Jack's, Tony's and Red Baron? Would there be any opportunity to actually grow the business rather than defend and manage the home market? And, at some point in the future, was there an ability to actually make a fair return on the capital employed?

The Solution: Executing a New Product-Development and Sales Strategy

From the outset, Foodmark recognized that the opportunity to grow the business and return to profitability lay outside the traditional "produce and distribute" model that the client had relied on for years. The grocery industry had changed radically in the last 10 years. Chain consolidation and retail format segmentation were disrupting the industry. It was important to recognize where the company fit in light of those industry changes.

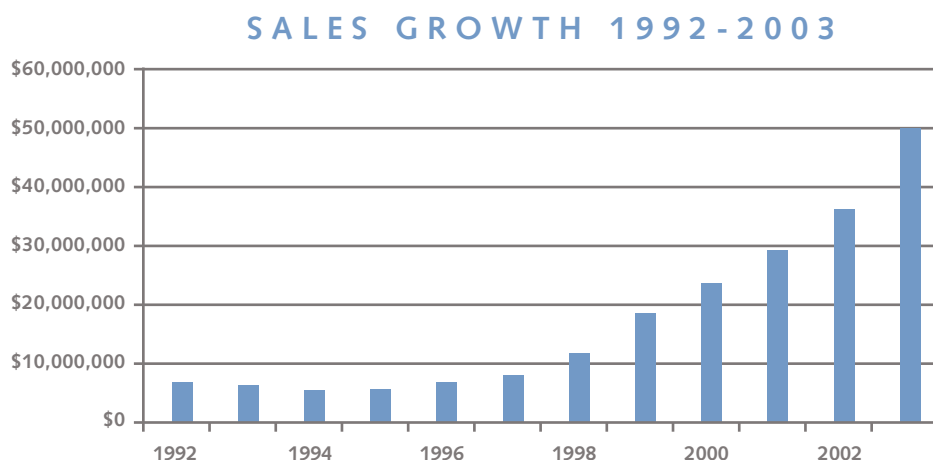
With regard to chain consolidation, Foodmark understood that the surviving retailers were likely to wield a great deal of market power. They would want their own brands to distinguish their stores from the competition. Private label would be a growth business.

Comparatively, with regard to retail format segmentation, Foodmark understood that a single product line would not be appropriate for the variety of formats winning in the marketplace. Production flexibility and product customization would be valued by the surviving retailers. Our client bought into this analysis, and therefore, shifted its priorities: product development and private label sales became their primary focus, while ease of production and route sales became secondary objectives.

With the pursuit of private label sales as the paramount objective, Foodmark identified both the product lines to be developed and the accounts to target. The manufacturer invested the capital required for both product development and production capability. Foodmark did not simply provide advice to the client. We acted as a true partner, working side by side in the product development process, and using our national sales force and broker network to execute the sales and marketing strategy.

The Results: A 10 Year Average Annual Growth Rate of 25%!

While there were bumps along the way, the partnership between Foodmark and this client resulted in extraordinary success. Over the period 1994-2003, sales rose from under \$5 million to over \$48 million. The client now enjoys an extensive, well-diversified account list, including some of the largest retailers in the country.



Shifting the Business Model to Sustain Value Creation

Now, in 2004, the retail strategy has expanded to include new opportunities presented by the market. Brand development is a large focus, yet one clarified by the intent to pursue those opportunities that have been neglected by the large companies. One thing that will never change, the large manufacturing concerns can never react or change direction as quickly we and our clients can.

Tombstone and Jack's are registered trademarks of Kraft. Tony's and Red Baron are registered trademarks of Schwan's.