

**Diane Moran**  
Strategic Management – 10/17/13  
**Sarah Lee Corporation Bus. Case**

Did the Sarah Lee Corporation strategy work for the company or against the company in 2011?

The Sara Lee Corporation an American consumer goods company located in Downers Grove IL. Sarah Lee operates in 40 countries sold products in over 180 nations, with headquarters in Utrecht and Netherlands

**What is Sara Lee's corporate strategy? How has its retrenchment strategy changed the nature of its business lineup?**

Sara Lee corporate strategy was to implement acquisition strategies which would enlarge their geographical coverage in order to expand into new business classes. When the company started it was a small wholesale distributor of several items: coffee, tea and sugar and over time Sarah Lee acquired food processing, packaging, distribution and the retail food business. Over 40 years, the Sarah Lee Company acquired related and non-related business. Sarah Lee sold 8 businesses that were looked upon as non-strategic. This initiative was expected to generate combined net after tax proceeds in excess of \$3B. The leaders of Sarah struggled over time to manage broadly diversified and geographically operations. So it was decided in order for the company to stay focus it would concentrate on the grocery portion and the upcoming trend of the single serve coffee machines. Therefore, Sarah would also focus on the single serve coffee line business, which they believed would be profitable for the company and shareholders.

The retrenchment strategy changed the nature of its business lineup from a small wholesale distributor to acquiring retail food business. The retrenchment strategy would allow Sarah Lee to focus even more closely on the food, beverage, and household products. Management believed in order to save cost and to be more profitable they would concentrate its financial and managerial resources on a smaller number of business segments in which market prospects were promising and by Sara Lee's brands being well known and well positioned would help them to stay in alignment with the strategy. Sarah Lee also executed an outsourcing strategy known as Project Accelerate. It's a company-wide cost saving and productivity project that focused on outsourcing, supply chain efficiencies, and overhead reduction.

**What is your assessment of the long-term attractiveness of the industries represented in Sara Lee Corp.'s business portfolio?**

In 2008 100M revenue, with 10-12 core products was recorded as showing an increase in market share in 2010. However, in between 2008-2010, divisional sales had grown faster than any other food processing company; Sarah Lee's market share had increased from 9.2% in 2009 to 12.3 in 2010. Keeping in mind, the state of the economy along with the size of the household's, it usually cheaper for people to eat their meals at home and bring their lunches to work. By consumers purchasing lunch meats and other

foods products of the well know brand - Sarah Lee products would mostly remain high. Therefore the retail, foodservice, and other related industries represent the most attractive long-term business portfolio growth for the Sarah Lee Corporation.

**What is your assessment of the competitive strength of Sara Lee Corp.’s different business units?**

By Sarah Lee staying focus in the food industry and having less or in some cases no focus on non-fitting industries allowed for value chain match-ups in the form of production technology, shipping logistics and customers. This direction offers opportunities for skills to be transferred, cost and brand sharing including the production of bakery, retail and foodservice goods because many of these are products are similar or the same products. By having product similarity the Sarah Lee Company can manufacturer a large batch of the same product, costing less than having to set up and run a separate product line.

**What does a 9-cell industry attractiveness/business strength matrix displaying Sara Lee’s business units look like?**

**Industry Attractiveness/business strength matrix for Sara Lee**

(Scale 1 - 4.9 = very low attractiveness, 5 - 9.9 = average attractiveness, 10 = very strong attractiveness)

<i>Attractiveness Measure</i>	<i>Weight</i>	<i>Retail Meats</i>	<i>Retail Bakery</i>	<i>Frozen Desserts</i>	<i>Single Serving Coffee</i>	<i>Food Service</i>	<i>Int’l Coffee</i>	<i>Int’l Bakery</i>
<b>Market size and growth rate</b>	0.25	7/1.75	7/1.75	2/5	2/5	10/2.5	7/1.75	4/1.0
<b>Industry Profitability</b>	0.15	5/7.5	5/7.5	5/7.5	5/7.5	6/9	6/9	5/7.5
<b>Intensity of competition</b>	0.20	6/1.2	5/1.0	7/1.4	8/1.6	8/1.6	8/1.6	5/1.0
<b>Emerging opportunities and threats</b>	0.10	5/5	5/5	6/6	7/7	10/1.0	8/8	8/8
<b>Product innovation</b>	0.25	5/1.25	5/1.25	3/7.5	5/1.25	9/2.25	5/1.25	5/1.25
<b>Social political, environmental, factors</b>	0.05	9/4.5	9/4.5	9/4.5	9/4.5	9/4.5	9/4.5	9/4.5
<b>Totals</b>	<i>1.0</i>	<i>5.9</i>	<i>5.7</i>	<i>4.65</i>	<i>5.55</i>	<i>8.7</i>	<i>6.75</i>	<i>5.25</i>

The 9 cell industry strength matrix shows that there are opportunities for rapid growth and a good potential for winning a much stronger market position within the 7 areas from the strongest to the weakest for Sara Lee is: Food service, Int’l Coffee, Retail Meats, Retail Bakery, Single Serving Coffee, Int’l Bakery and the Frozen Desserts market.

**Does Sara Lee's portfolio exhibit good strategic fit? What value-chain match-ups do you see? What opportunities for skills transfer, cost sharing, or brand sharing do you see?**

Yes, Sara Lee's portfolio does exhibit a good strategic fit for the following reasons: Product line and product relations support one another like: bakery, beverage and meat items can be sold together which can save cost, time and increase profits. By Sara Lee retailing and whole selling is an advantage for all the products, all products will most likely be consumed. The opportunity of skill transferring enhances cost saving by allowing a bakery worker to work in the beverage and meat sector or vice versa. Brand sharing the products can be handled by various techniques, saving time, cost sharing, promotions/ads and generate revenue.

**What is your assessment of Sara Lee's financial and operating performance in fiscal years 2008-2010, the period following the divestitures that were the core of Sara Lee's retrenchment strategy?**

Sara Lee deciding to close 8 business units, (Direct selling, U.S. retail coffee, European apparel, European nuts & snacks, European rice, U.S. meat snacks, European meats and Sara Lee branded apparel) after adapting the retrenchment strategy which was not an easy decision. With this incentive the company expected to increase its operating profits margins by 12%, but the company could not achieve its targets. From 2008-2010 to help with cost savings the project named Project Accelerate was implemented which was estimated to save the company between \$350M - \$400M by 2012, accumulative the project saved the company \$180M.

**What is your overall evaluation of Sara Lee's retrenchment plan? What evidence and/or reasons support a conclusion that Sara Lee's shareholders have or have not benefitted from the company's retrenchment strategy?**

The retrenchment plan created a gamble for the leadership team's expectation and it did not create a huge impact for providing additional revenue for the Sarah Lee Company. Per Sara Lee's financials and not due to the retrenchment strategy the company did show growth in some sectors and barely over previous years. The leadership team felt the retrenchment strategy would increase improvement on its return on investments, increase revenue to \$14B by 2010 and operating profit margin in 2010 by 12% against operating profit margin in 2004. Sara Lee did manage to improve its operating margin to only 8.5% where as \$10.8B of revenue was generated in the 2010. Sara Lee stakeholders did not really benefit as much as the company hoped they would from the retrenchment strategy.

- The book value of the common stock decreased from \$3.61 to \$2.25
- The market value of the common stock decreased from \$17.4 to \$13.9
- Dividends Declared decreased from \$0.50 to \$0.44

**What actions do you recommend that Sara Lee management take to improve the company's performance and boost shareholder value? Your recommended actions must be supported with convincing, analysis-based arguments.**

*In conclusion: by analysis the Sarah Lee Company here are the following recommendations that can strategically grow their profitability:*

Research and endorsing current products (ex. teas and coffee) in new markets such as in the Asian and European markets to help with increasing brand awareness, revenue and profitability. There is a limited margin on the dessert products. By selling off its dessert brands, Sara Lee can invest the profits of the sale into other innovations business units. Sara Lee International should expand its household and body care brands into the United States. Its air freshener brands hold significant market share in Europe, which could be utilized in North America. The market for cleaning products and air fresheners is strong in the United States. Sara Lee's innovations would be very successful in the growing market across the Atlantic. With Sara Lee having the product lines that are related products can take a declining shift at the same time, therefore an innovative product line needs to be added/ expanded/developed. Sara Lee should utilize some of its cash and perform another stock buyback program. Sara Lee's leadership team needs to be analysis to see who should stay and who should go. Once that process is completed then the leadership team needs to manage what is working well and Project Accelerate should stay in place to continue to increase cost savings and increase profits. All of the recommendations are needed in order for the consumer base to continue be to grow at the necessary rate also for the company to continue to grow per goals and to keep the shareholder happy.

References:

Crafting & Executing Strategy textbook 18E

<http://www.annualreportowl.com/Sara%20Lee/2011/Annual%20Report>