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Case 17 Smucker's in 2011: Expanding the Business Lineup
Final Homework Dec 3, 2013



I. Diagnosis

Company history

The Smucker's Company was founded in 1879 by Jerome Monroe Smucker (J. M. Smucker). J. M. Smucker built a steam-powered cider mill in Orville, Ohio. In 1920 the company began building a complete line of jams, jellies and preserves capitalizing on its success. In 1959 under the management of Paul Smucker the company went public. The Smucker Company diversified beyond peanut butter, spreads and condiments. In the 80's Smucker began acquiring other food companies.

Problem/issue/actions/facts

- ✓ Market share and revenue
- ✓ Shareholders' value
- ✓ Maintaining the market lead in the branded global processed food industry
- ✓ Bargaining leverage is not strong or powerful when negotiating with retailers/chains

Lowers market share due to smaller product line

Lower profit margin than competitors

Smuckers is a smaller rival than Nestle and Generals Mills

Loss of shelf space to manufacturers' branded and private label products

Insufficient ability to bargain for price increases or to request better in-store product placements

Increased shelf pricing cost

Decrease growth in sales of consolidation of supermarkets and retailers

5 Forces

Substitutes: High	Buyers: Medium	Suppliers: Low	Rivalry: High	New Entrants: Medium
Threat from branded and private branded products	Customers demand for best price and quality	A bargaining disadvantage with supermarkets & retailers	Industry size is large	High start-up capital costs
Local growth in organic food and natural products		Insufficient ability to bargain for price increase or request better in-store product placement	Producers such as Nestle, Kraft Foods, General Mills, Campbell Soup and Supermarket chains such as Kroger, and Wal-Mart	Threat of generic and private brands
				Customer loyalty of existing brands
				Industry requires economies of scale

SWOT

Strength (Internal)	Weakness (internal)	Opportunities (external)	Threats (external)
Strong expertise	Low ability to bargain with suppliers and chains	Increase in international ventures	Fixed rates, trade costs, tariffs and commodities prices
Brand recognition	Limited manufactures products	Create in-house coffee	Consolidation of retailers and multi - centers
Environmental awareness	Large number of rivals	Expand into developing markets such as organic	Economy & competition
Advertising			Healthy eating
Acquisitions			

II. Focal points for action

Smuckers' Business strategy:

"To own and market the No. 1 brands, sold in the center of the store

Smuckers' Corporate Strategy: 3 main focal points

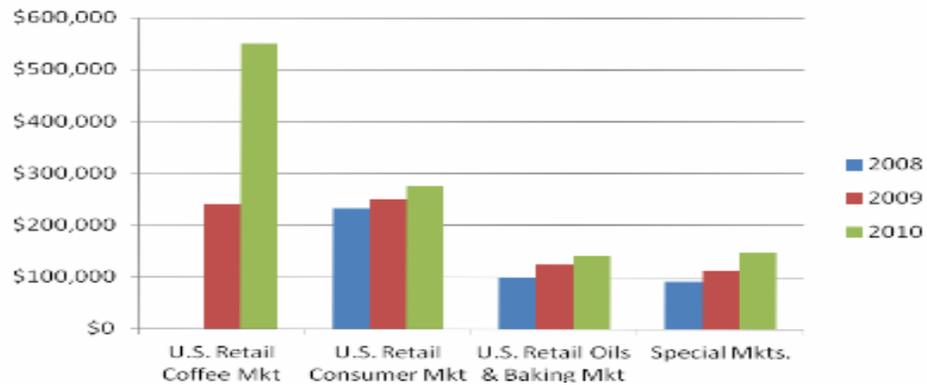
1. Introducing new products

- Expanded coffee line up
 - Entered into a manufacturing and distribution agreement with Green coffee roasters & keurig's k-cup coffee system
 - Entered into a licensing agreement with Dunkin Donuts which allowed Smucker's to sell the branded ground coffee in the US supermarkets
- 2010 introduced
 - Jif to go lunchbox snacks and Snack n' Waffles
 - Orchards finest premium fruit preserves
 - Pillsbury sugar-free cake mixtures and frosting

2. Growing the market share of existing brands

Segment Profits

U.S. Retail Coffee Mkt
U.S. Retail Consumer Mkt
US Retail Oils & Baking Mkt
Special Mkt (Inter'l & Bevs.)



Net Sales - by Segment

U.S. Retail Coffee Mkt - in 2008 acquired Folders Coffee, NO financial data
U.S. Retail Consumer Mkt
US Retail Oils & Baking Mkt
Special Mkt (Inter'l & Bevs)

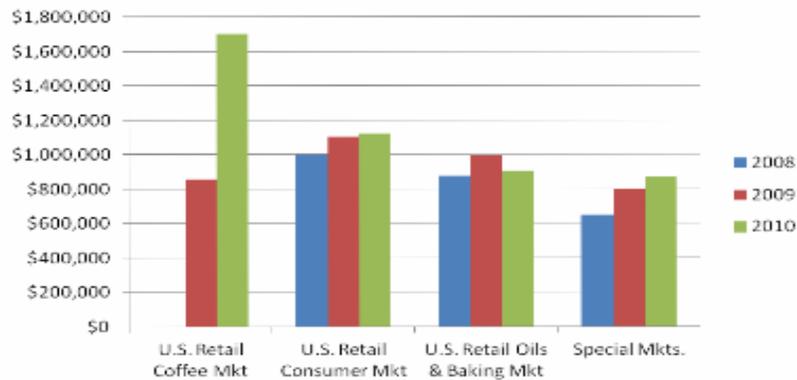


Photo credits: Smuckers

- Smucker's operates in 4 divisions
 - Special Markets (International and Beverages)
 - US Retail Oils & Baking Market (Crisco, Pillsbury, & White Lily)
 - US Retail Consumer Market – Jif, Smuckers and Hungry Jack
 - US Retail Coffee Market – Folgers and Millstone
 - ✓ Smucker's has spent \$50M-\$77M annually from 2006-2009 on advertisement and digital marketing initiatives
 - ✓ Job well done for Smucker's for expanding and growing their product lines and increasing its brand in supermarkets in North America

3. Strategic acquisitions

- 1987 acquired Magic Shell (ice cream toppings producer)
- 2002 acquired Jif and Crisco for \$786M stock swap
- 2004 acquired international Multi-foods for \$480M which added two additional center-of-store brands (Pillsbury and Hungry Jack)
- 2006-2007 acquired White Lily foods Company for approximately \$33M and Eagle Family Foods \$248M involving cash and assumption of debt.
- 2008 acquired Folgers for \$3.7B; making Smucker's one of the largest breakfast foods and beverage producers in North America

III. Develop alternatives

- **Align business performance with strategies that are resourceful and has objectives that fit the corporate goals**
 - Specialized manufactures products are more cost effective
 - Resources are more accurately allocated to more profitable units
 - Monitor consumer behaviors, preferences and taste changes will capture an increase for opportunities
 - Managing market changes and addressing adverse conditions tackling business risks
- **Reduce acquisition and invest in home production of branded products**
 - Acquisitions made in branded products are not potentially profitable
 - Savings will earn and redirect in-house manufacturing and enhancement of economies of scales
 - Leads to saving with fix costs of infrastructure and maintenance of equipment and machinery
 - Increases in-house staff experience and expertise
- **Strategically acquire and invest in non-business related units**
 - Utilizing the advantage point of comparative lead in business acquisitions
 - Gaining more of a prospects of corporations and the confidence of shareholders and higher share prices
 - Diversification within industries allows for abundant of cash flow to be distributed effectively

IV. Decision and recommendation

The above actions will lead to product differentiation, business attractiveness an increase in revenue, scope of operations and market shares for Smuckers. With Smuckers acquiring Magic Shell, maker of ice cream topping represents a horizontal integration, multi-foods like Pillsbury baking mixes represents a vertical integration movement for their company. Alignment of Smuckers' corporate strategy goals cans emphasis a great execution of their corporate strategies equaling market leadership. Increasing market size, growth revenue and adding value to product differentiation as well as growing the customer base. The use of effective resources and operations will sustain the market and sell its products with higher bargaining power and better consumer opinions.

V. Implementation process

Implementation is a very crucial part to the strategic plan and vision I'm recommending this process to occur in three phases (Phase (1) 1-3 month, Phase (2) 4-6 months and Phase (3) 7-2yr) in order for everyone to adapt to changes, creating a buy-in from everyone involved allowing for corrections vs. what is working to remain in place and lessons learned to be documented for the next Smuckers project.

Implementation process for the Smuckers Company

Phase (1-3 months)	Phase 2 (4-6 months)	Phase 3 (7-2yrs)
Understand the plan/goals and create a vision	Continue to engage with upper mgmt. /leaders of business units. executives and stakeholders. As well as engage with the strategic team and the finance/sales/marketing/R&D teams	If necessary eliminate business segments in unfavorable markets, products in poor productivity performance sectors
Select a Strategic Implementation Team decide who makes decisions, methods of communications, how to implement strategies, preventions or change methods	Review assessments from Phase 1 and recommend new products and add or modify old strategies in units, lines and marketing	Reallocate resources to profitable segments, plants and units.
Engage with upper mgmt./leaders of business units., executives and stakeholders	Decide on strategies, assignments and if decision making is decided by the correct business units, operations and marketing staff.	Centralize production, marketing, procurement and supply chain activities
Access and evaluate attractiveness of industries, the productivity of the business units, customers behavior patterns and market changes locally and internationally		Focus on acquisition for business related units
		Review and act locally and internationally to responsive
		Customers, technology and suppliers
		Review strategic plans, finances and trends
		Continue to keep stakeholders involved where necessary and review lessons learned