INTRODUCTION: Giant Consumer Products (GCP), a company in the consumer packaged goods industry, historically has held a strong financial position and is continuing to grow. GCP has experienced above-industry average growth over the past few quarters, but suddenly has encountered sluggish results in its Frozen Foods Division (FFD). This particular product division has been experiencing a decline in sales as consumers are buying less frozen foods and more of other types of food. Sales volume and marketing margin in the FFD were both around 4% lower than expected, and prices were not being reduced to stimulate demand. The recent growth GCP had been experiencing is not being viewed with as much confidence due to the recent decline in sales. With this decline, the financial stature of GCP is becoming a question mark and investors may begin to lose confidence in the company if things don’t turn around soon. The FFD must now decide whether a national sales promotion should be introduced for one of its brands, with the goal of the promotional campaign being to stimulate consumer demand and ultimately to increase the sales volume of its frozen food products (Bharadwaj & Delurgio, 2013).

ANALYSIS: The information that will need to be collected to determine whether GCP should implement promotional pricing on one of its brands will come from various sources, including previous results from promotional campaigns, market trends in the consumer packaged goods industry, external competition, and several financial metrics derived from data over the past two years. Typically, a company will run a sales promotion to stimulate demand or increase awareness of a product, which can improve short-term results and increase store traffic (Belch & Belch, 2012). The FFD must not only decide whether or not to run a national sales promotion, but it must also determine which of its two brands to run the promotion for—Dinardo’s or Natural Meals.

The Dinardo’s brand is the largest contributor in the FFD, accounting for nearly $425 million in revenue per year. Dinardo’s meals are considered traditional favorites, such as Spaghetti & Meatballs, Lasagna, and Chicken Cacciatore (Bharadwaj & Delurgio, 2013). These frozen meals come in 16 and 32 ounce packages and have had multiple national sales promotions in the past two years. The other brand in the FFD is Natural Meals, which features healthier, organic options such as Penne al’Arrabiata, Eggplant Ravioli, and Garden Pesto Tagliatelle. Natural Meals only generates around $125 million in revenue per year but is becoming increasingly popular with the rise of health-conscious consumers (Bharadwaj & Delurgio, 2013). There is one standard price for all varieties of the Natural Meals brand, and all come in 16 ounce packages.

Although Natural Meals has been attractive towards strictly health-conscious consumers, the brand has been experiencing nearly 15% growth per year. This statistic is very appealing to those in charge of marketing and sales in the FFD, especially considering the higher margins the Natural Meals brands generates due to premium pricing. Another key factor that must be considered is the opportunity to run a national sales promotion for the Natural Meals brand as it has never been promoted on a national level before. Running a national sales promotion in retail stores would seem to have a number of advantages and would be enticing to retailers. Not only do retailers receive
greater margins on *Natural Meals* compared with *Dinardo’s*, but a price reduction on *Natural Meals* products would likely increase store traffic and deter consumers from shopping at other natural food retailers (Bharadwaj & Delurgio, 2013).

As for the disadvantages of running a national sales promotion for the *Natural Meals* brand, the FFD would be entering uncharted territory as there would not be any previous results to rely on as a promotional campaign on a national level has never been implemented for the *Natural Meals* brand. Additionally, consumers may develop a tarnished view of the *Natural Meals* brand if its products are offered at a promotional price—one of the key reasons the FFD abstained from promoting its healthier, premium frozen food brand. Another element the FFD must consider is whether or not product cannibalization would occur with the introduction of a promotion on *Natural Meals*; that is, the possibility of consumers discontinue purchasing other GCP products that are not on sale (Bharadwaj & Delurgio, 2013).

Finally, the FFD must also decide whether to offer off-invoice pricing to retailers or select a pay-for-performance approach. Off-invoice pricing would involve lowering the price-to-retailer (PTR) of *Natural Meals* products for a specific time to allow retailers to purchase in desired quantities. If a pay-for-performance approach is chosen, GCP could decide to compensate retailers only if they hit a certain sales goal for *Natural Meals* products. The assumption is that 25% of stores would be willing to participate in the sales promotion for *Natural Meals*, and the promotional cost per point for this particular brand is $165,017 (Bharadwaj & Delurgio, 2013).

**CONCLUSION:** Although the sales volume in the FFD at GCP was 3.9% behind plan, a closer look at the financial data reveals that the *Natural Meals* brand has actually experienced a 4.3% increase in sales volume for 2008—the only positive figure for any frozen food product. Furthermore, *Natural Meals* had a marketing margin of 6.5% higher than what was planned—the only positive marketing margin for any frozen food product. These two figures suggest that consumers have become increasingly attracted towards healthier, organic meal options and it would seem to be an appropriate time to run the first national sales promotion for the *Natural Meals* brand (Bharadwaj & Delurgio, 2013).

Even with the implantation of a promotional campaign for *Natural Meals*, there would likely be minimal threat from cross-brand cannibalization with *Dinardo’s* as the two brands provide vastly different options. In addition to stimulating demand for GCP’s frozen food products, presenting a price reduction for *Natural Meals* would present tremendous benefits to retailers as well. Not only would they reap larger profit margins (compared with *Dinardo* products), but store traffic would likely increase as well—especially considering the trend for healthier meal choices and lifestyles. GCP could offer lower PTR for its *Natural Meals* as well, further enticing retailers to buy large quantities of its products and gain higher profit margins.

It is apparent *Natural Meals* is the only brand in the FFD that has been trending upwards among consumers and now would be the perfect time to run a national sales promotion for the brand to
further increase exposure and stimulate more demand. Many consumers may have never tried *Natural Meals* products before as they have not previously been listed on sale. GCP must act now to promote and feature its most popular brand to experience a spike in sales volume and ultimately gain back confidence from investors in order to maintain its strong financial position.
References


APPENDIX A

5-Step Critical Thinking Decision-Making Process Matrix

Step 1: Identify the marketing communication problem(s) and uncertainties.

What exactly is the problem…

(Study the problem to clarify what you need to know to solve it. Pay special attention to controversial issues in which it is essential to consider multiple points of view.)

The Frozen Foods Division (FFD) of Giant Consumer Products (GCP) has been experiencing a decline in sales as consumers are buying less frozen foods, and more of other types of food. With this decline, the financial stature of GCP is becoming a question mark and investors may begin to lose confidence in the company if things don’t turn around soon.

The problem is this …

(Write out the problem clearly and precisely, with details. Write the problem in different ways until you get it perfectly clear in your mind.)

Sales volume and marketing margin in the FFD were both around 4% lower than expected, and prices were not being reduced to stimulate demand. The recent growth GCP had been experiencing is not being viewed with as much confidence due to the recent decline in sales.

This is an important problem because…

If something is not done to stimulate demand again, investors could lose confidence in GCP and began selling its shares, which would have a strong negative effect on the firm’s financial position.

The key question(s) that needs to be answered to solve this problem is…

(Every problem has questions connected to it. Here we want you to write out the most important question(s) you need to answer to solve the problem. State it clearly and precisely. Being specific is very important.)

- What can be done to stimulate demand, and ultimately sales of frozen foods?
- How could a promotional campaign be beneficial in generating more sales?
- What has been done in the past in similar situations?
- How long should the promotions last?

Step 2: Obtain information.

The following information is needed to answer this question…
BUSINESS BRIEF: GIANT CONSUMER PRODUCTS

(Here you are looking for the facts and/or data that help you solve the problem. Actively seek the information most relevant to the question. Include in that information options for action, both short-term and long-term. Recognize limitations in the terms of resources such as money, time, and people.)

- Results of previous promotional campaigns to increase sales volume (ROMI figures)
- Consumer’s views on products that are offered at a discounted price
- Would retailers reduce forward-buying? If a lower price-to-retailer is offered, would retailers actually pass along the discount to its consumers or simply pocket the savings?
- Did sales promotion increase store traffic for retailers in the past?
- Sales volumes of one product when another is on sale

Some important assumptions I am using in my thinking are…

(Figure out what you are taking for granted. Make sure these assumptions are reasonable. Watch out for self-serving or unjustified assumptions.)

- Promotions always drive demand upwards
- Previous results from promotional campaigns will translate into the same results if done again

The points of view relevant to this problem belong to…

(Who are your stakeholders? Determine whether the stakeholder’s point of view is relevant.)

- Mary Davidson (GM), Allan Capps (CEO), Byron Flatt (VP of Sales), Mike Sanchez (Director of Marketing)
- Stakeholders who own GCP stock

Note: Remember to view the information you have obtained for potential bias. This is from the perspective of your own bias to the research and the bias of the authors who compiled the data and the research you gathered. In other words, do not discount the importance of other’s data because of your own bias(is).

Step 3: Make predictions about the future.

If this problem gets solved, some important implications are…

(Evaluate options, taking into account the advantages and disadvantages of possible decisions before acting. What consequences are likely to follow from this or that decision?)

Advantages
- If store traffic for retailers increases significantly, they may want to purchase more of
GCP’s frozen food products

- If sales increase drastically, investors of GCP may gain back confidence and buy even more shares
- Purchase time acceleration (stockpiling)

Disadvantages

- Consumers will stop buying other GCP products that are not on sale (indirect cost of cannibalization)
- Some consumers will only purchase GCP products when they are on sale, and not at any other time

If this problem does not get solved, some important implications are…

(Evaluate options, taking into account the advantages and disadvantages of possible decisions before acting. What consequences are likely to follow from this or that decision?)

If the problem does not get solved and sales do not increase, investors will lose confidence in GCP’s stock, and the company’s financial position will surely take a hit. If store traffic and sales for GCP frozen foods do not increase, some retailers may even consider completely removing GCP products from their stores.

The potential alternative solutions to solve the problem are…

(If the problem involves multiple conflicting points of view, you will have to assess which solution is the best.)

- Offer “off invoice pricing” to retailers → involves lowering the PTR of a given item for a specified time so retailers can purchase in the quantity it desires
- Pay-for-performance approach → retailers compensated only for the actual amount they sold during promotional period (only compensate retailers if they hit certain goal?)
- Run promotion for Dinardo’s 32 oz. meals
- Run promotion for Dinardo’s 16 oz. meals
- Run promotion for Natural Meals

Note: if the problem is one-dimensional, there may be just one correct solution.

Step 4: Make decisions by choosing among alternatives.

What is the best solution and why…

(After following the process above, I think the best solution to the problem is… Defend your recommendation.)
I think the most obvious and advantageous solution for GCP is to implement a national sales promotion for its Natural Meals brand. With the increase in demand for healthier meal options, greater retailer margins due to premium pricing, and the highest marketing margin percentage of any GCP brands, it clearly is time to run the first national promotion for the Natural Meals brand.
## Sales Promotion Case Rubric

Total 50 points

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<td>Vaguely applies the 5-step critical thinking decision making tool.</td>
<td>Applies the 5-step critical thinking decision making tool and, for the most part, fulfills assignment requirements.</td>
<td>Applies the 5-step critical thinking decision making tool and demonstrates solid ability to accomplish the assignment.</td>
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<td>Develops an opening paragraph that introduces the case and, for the most part, fulfills assignment requirements.</td>
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<td>Vaguely discusses whether the promotion ends up being a 'win' for not only FFD, but also for retailers and consumers or completely off the topic.</td>
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<td>Discusses whether the promotion ends up being a 'win' for not only FFD, but also for retailers and consumers and demonstrates solid ability to accomplish the assignment.</td>
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<td>Recommends how FFD should structure the promotion and justifies the recommendation.</td>
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