

Individual Case Summary for
Breeder's Own Pet Foods, Inc.

The Problem(s)

Breeder's Own Pet Foods, Inc. faces the following problem regarding the MMU proposal: "Should BOPF accept or reject the MMU proposal as written?"

Recommendation(s)

BOPF should accept the marketing proposal from Marketing Momentum Unlimited at the cost of \$500,000 with a slotting fee for supermarket freezer space at \$30,000. Based on the case's data, BOPF can effectively tap into a sizeable chunk of approximately 1.2% of the U.S. dog food market by capitalizing on the Boston frozen food market segment. The recommendation to proceed with the \$500,000 marketing proposal by MMU is based on various decision factors elaborated in the following sections.

Financial Analysis

Market potential and relevant market. Table 1 presents market potential data for the dog food industry in the Boston area, which accounts for 1.2% of all U.S. sales. This percentage is estimated from the dog population data in the U.S. and Boston, respectively. Boston has about 1.2% of the total U.S. dog population. Assuming that dog food sales are directly proportional to the dog population ratios, Boston accounts for approximately 1.2% of U.S. dog food sales. However, Breeder's Mix is a targeted product that seeks to capitalize on the frozen foods segment of the dog food market. This segment accounts for approximately 1% of the national dog food sales, approximately \$140 million. However, there is insufficient information on frozen dog foods, and the Breeder's Mix brand produced by BOPF is highly similar to canned dog food. Therefore, proper positioning within a market with rich information is critical to enhancing Breeder's Mix market potential for enhanced profit generation.

As a consequence of this similarity, BOPF should position its product in the canned dog food subcategory of the market. From the data provided in the case study, this category (canned dog food) contributes to approximately 20% of the national dog food market. The chain ratio method is useful in determining the market potential for Breeder's Mix in the Boston supermarkets where it is targeted. Using this method, the market potential for Breeder's Mix in Boston supermarkets is approximately \$12 million, corresponding to about 0.09% in market share, as elaborated in Table 1.

Position and price determination. Table 2 presents the pricing data for Breeder's Mix. The current position of the company within the Boston and national dog food market, especially the canned and frozen food segments, make the BOPF products more desirable to the consumers. However, the products' current quality warrants higher pricing than main competitors, giving the company a lower market position. As such, the company must implement an aggressive marketing and pricing strategy to tap into the market and gain a more formidable position. From the market potential analysis, it is elaborate that information on the frozen dog food market is insufficient; thus, Breeder's Mix should properly and appropriately position itself within the canned dog foods category to enhance effective pricing and sales generation. From its ingredient composition, Breeder's Mix is composed of 85% fresh meat and 15% high-quality, healthy

fortified cereals. This composition is consistent with the composition of most canned dog foods in the American market, most of which contain 75% moist components (consistent with fresh meat in Breeder's Mix) and 25% solid or dry components (consistent with fortified cereal in Breeder's Mix). The price of Breeder's Mix, appropriately positioned within the canned dog food category, can be determined through comparative analysis against the competitor prices in the market.

However, Breeder's Mix composition makes it a premium-quality dog food compared to most other competitors in the market segment. The food has no additives or preservatives and prioritizes freshness and high nutritional value for show dogs. The use of this food appreciates that dogs are increasingly an important part of the family and deserve the highest quality of nutritional care. This analysis suggests the packaging of Breeder's Mix in one-pound pouches packed in 12-pack cases. The 12-pack case should be priced at \$7.87, yielding a variable cost of \$0.66 for every pouch of Breeder's Mix. Due to its premium quality, Breeder's Mix should have a premium price that is above the average prices in the market without negatively affecting sales volumes and consumer preference. The pricing of Breeder's Mix, based on variable cost per pouch at \$0.66, broker commission at 7%, and retailer (supermarket) gross profit margin at 22%, is broken down in Table 2. Based on the quality of the product, the above-average pricing suggested in the table is reasonable and a good deal for dog owners seeking the highest quality dog food for the dog as a valuable member of the family. Below are two possible pricing options based on two dog food brands in the market.

Pricing Option 1. This price option is based on Mighty Dog pricing. Breeder's Mix should be priced at \$2.8 per pound (list price before deducting commissions and gross profit margin).

Pricing Option 2. This option is based on Cesar Select and should be priced at \$3.5 per pouch. These are suggested list prices before deducting the commissions and supermarket gross profit margins.

Contribution estimates. The selling price to retailers is dependent on the average market prices and the gross profit margins for the supermarkets. Estimating the pricing policy for the product is essential to ensure profits are made and the consumer is satisfied.

Pricing Option 1. The selling price to retailers for this pricing option is \$2.18

Pricing Option 2. The selling price to retailers for pricing option two is \$2.73

Break-even analysis and interpretation. Table 3 summarizes the calculations for break-even sales needed for both pricing options, as discussed earlier. The two pricing options yield different break-even values.

Expenditures of \$530,000. Fixed costs of \$530,000 (which includes the \$30,000 yearly slotting fees for freezer space) have a break-even in cases sold to retailers of option 1 yields break-even sales as follows: 384,058 pouches, 6,144,928 ounces, or 32,005 cases, translating to \$1,075,362 and approximately 3.2% share of the Boston dog food (canned) market. Likewise, option 2 yields the following break-even sales and market share: 281,456 pouches, 4,503,293 ounces, 23,455 cases, \$985,059, and 2.13%.

Expenditures of \$730,000. Fixed costs of \$730,000 (which includes the \$30,000 yearly slotting fees for freezer space) has a break-even as follows for option 1: 528,986 pouches, 8,463,768 ounces, 44,082 cases, equal to \$1,481,159 and a 4.41% market share. Option 2 under this proposal has the following break-even values: 387,666 pouches, 6,202,648 ounces, 32,305 cases, equal to \$1,356,829 and a 4.04% market share.

Product acceptance

Acceptance of the product in its current presentation is a major deciding factor, and this determines whether the buyers will buy Breeder's Mix. With one-pound packaging, the potential objections must be expected from a section of dog breeders, especially those with young dogs that cannot finish one pound of food in one meal and prefer smaller packages. To avert this possible rejection, Breeder's Mix should indicate clear instructions on the thawing and storage of the food (Roberto et al., 2021). This information should be accurate and precise on the container. Some dog breeders object to frozen dog food since it occupies extra refrigeration space that could otherwise be used for human food supplies (Petrescu et al., 2020). This objection can be countered by branding the need for dogs to be supplied with the freshest, highest-quality food, just like humans.

Consumer behavior

The structure of the market influences consumer behavior. In its current structuring, the U.S. and Boston dog food markets are dominated by dry foods, treats, and traditional canned food. Consequently, consumer behavior is less favorable to frozen, canned dog food (Petrescu et al., 2020). Through brand exposure, consumers must undergo significant behavior changes to accept Breeder's Mix into the mainstream market. With growing knowledge and behavior change towards acceptance of frozen dog food, Breeder's Mix is positioned to gain higher market penetration and share. However, the initial uptake is expected to be slow.

Acceptance of trade

Despite BOPF targeting supermarkets with Mix, it is not guaranteed that the supermarkets will accept the trade partnership or give up freezer space for stocking Breeder's Mix. The product may not achieve distribution and circulation if many supermarkets fail to grant BOPF a partnership agreement (Petrescu et al., 2020). To enhance the possibility of supermarkets stocking Breeder's Mix, BOPF must invest heavily in advertising to create brand awareness and prompt consumers to seek the product in supermarket freezers. If the supermarkets do not stock the product, Mix loses significant distribution channels and consumer contact points, derailing the attainment of market potential.

References

Petrescu, D. C., Vermeir, I., & Petrescu-Mag, R. M. (2020). Consumer understanding of food quality, healthiness, and environmental impact: A cross-national perspective.

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Table 1. Market Potential

Total Market Potential in Boston's Entirety	
<i>Category</i>	<i>Dog Food Sales (\$)</i>
Dry (60%)	100.8 million
Canned (20%)	33.6 million
Treats (20%)	33.6 million
Total	168 million

Market Potential in Boston Supermarkets 36% Sold in Supermarkets		
<i>Category</i>	<i>Dog Food Sales (\$)</i>	<i>Market Share</i>
Dry (60%)	36,288,000	0.26%
Canned (20%) ¹	12,096,000	0.09%
Treats (20%)	12,096,000	0.09%
Total	60,480,000	0.44

Relevant Market Potential		
	<i>Dog Food Sales (\$)</i>	<i>Market Share</i>
Canned (60%)	36,288,000	0.26%
Frozen (1%)	604,800	0.004%

¹. Boston dog food sales = Market % * Market sales from case study * 1.2%

Supermarket sales = Boston dog food sales * 36%

Table 2. Selling Prices to Consumers and Retailers

**Pricing Option 1
(Based on Mighty Dog price):**

Product/Size	Selling Price to Consumers¹ (\$)	Selling Price to Retailers² (\$)	Contribution (\$)
1 ounce	0.18	0.14	0.09
1 pound (Pouch)	2.8	2.18	1.38
12 pounds (Case)	33.6	26.16	16.50

**Pricing Option 2
(Based on Cesar Select price):**

Product/Size	Selling Price to Consumers³ (\$)	Selling Price to Retailers⁴ (\$)	Contribution (\$)
1 ounce	0.22	0.17	0.12
1 pound (Pouch)	3.5	2.73	1.88
12 pounds (Case)	42.00	32.76	22.6

¹. Option 1 selling price to consumers is suggested list price estimated from Mighty Dog prices

² Option 1 selling price to retailers = option 1 selling price to consumers – (option 1 selling price to consumers*22%)

³ Option 2 selling price to consumers is suggested list price estimated from Cesar Select prices

⁴. Option 2 selling price to retailers = option 2 selling price to consumers – (option 2 selling price to consumers*22%)

Table 3. Break-even Analysis

	Break-even Analysis			
	\$530,000		\$730,000	
	<i>Selling Price 1¹ (\$26.16 per case)</i>	<i>Selling Price 2² (\$32.76 per case)</i>	<i>Selling Price 1 (\$26.16 per case)</i>	<i>Selling Price 2 (\$32.76 per case)</i>
Total Fixed Costs	\$530,000	\$530,000	\$730,000	\$730,000
Contribution per Ounce	\$0.09	\$0.12	\$0.09	\$0.12
Contribution per Pound/Pouch	\$1.38	\$1.88	\$1.38	\$1.88
Contribution per Case	\$16.50	\$22.60	\$16.50	\$22.60
Contribution Margin	49.29%	53.80%	49.29%	53.80%
Break-even in Ounces ³	6,144,928	4,503,293	8,463,768	6,202,648
Break-even in Pounds/Pouches	384,058	281,456	528,986	387,666
Break-even in Cases ⁴	32005	23,455	44,082	32,305
Break-even in Sales Dollars	\$1,075,362	\$985,095	\$1,481,159	\$1,356,829
Break-even in Market Share	3.2%	2.93%	4.41%	4.04%

¹ Based on Table 2² Based on Table 2³ Break-even in pounds / 16 ounces = Break-even in ounces.⁴ Break-even in pounds x 12 pounds = Break-even in cases.