



# McCormick & Company Executive Summary

Team 6

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# Problem Statement

Over the last few years, Kitchen Basics' sales growth has declined. Consumer spending is decreasing in the Stock and Broth Industry.

# Proposed Recommendation

The priority solution is to repackaging the product incorporating more appealing imagery, colors associated with health and wellness, and the McCormick signature red cap.

# Key Insights from Industry Analysis

## Stakeholder Interviews:

- Customers mentioned that packaging was important in their selection of a product.
- Brand loyalty in the food industry is very minimal around participants.
- For customers who do not have brand loyalty, they tend to select whichever product looks most attractive.
- Many people prefer to make their own stock or not use stock at all.
- If we were to conduct our interviews again, we would start with broader questions in order to better understand the customer's initial problems. Some broader question examples are:
  - What are some things in your life that make you happy?
  - What are your hobbies?
  - Would you say living a healthy lifestyle is important to you?

# Key Insights from Industry Analysis

## STEEPG Industry Analysis:

- Social:
  - There is a huge social trend in the food and beverage industry where consumers are focused more and more on healthy food and ingredients, which is not an area that McCormick is focused on.
  - Stigma associated with canned goods leading to new packaging initiatives.
- Technological:
  - Technology is impacting marketing activities such as mobile, commerce, and social media. For example, the rise of companies such as Instacart.
  - New packaging is needed and is being developed to create a more appealing product as they shift from cans to newer more eco-friendly and appealing packaging.

# Key Insights from Industry Analysis

## STEEPG Industry Analysis:

- Economic:
  - The stock and broth revenue still dropped following the COVID-19 Pandemic, showing that the social driving force is much more influential than the economic barriers implemented.
- Environmental:
  - Packaging and renewable packing is a major focus as consumers become much more environmentally conscious.
  - Brands don't want to leave a carbon footprint.

# Key Insights from Industry Analysis

## STEEPG Industry Analysis:

- Political/Legal:
  - In the US the FDA makes sure that nutritional and ingredient labels are accurate in order for the good to be sold on US shelves.
  - The EPA enforces pollution guidelines when it comes to manufacturing stocks and broths.
- Global:
  - Supermarkets have increased demand, especially after the pandemic with the consumer trend of dining in and cooking more.

# Key Insights from Industry Analysis

## Porter's 5 Forces

- There is a low threat of new entrants in the industry lending an advantage to the already established brands
- Suppliers also have low bargaining power, as it is easy for brands to change suppliers
- There is a high threat of substitutes, as consumers are price sensitive and not very brand loyal in combination with low switching costs
- Buyers have large bargaining power, as 4 companies constitute 70% of the total revenue of the stock and broth category
- Rivalry within the industry is high as well, with low customer switching costs leads to high industry rivalry

## Industry Attractiveness

- Based on the low threat of new entrants, low bargaining power of suppliers, high threat of substitutes, high buyer bargaining power, and the high rivalry within the industry it is clear that this is not an attractive industry

# Key Insights from Sample Data Analysis

## Returning Customer Data:

- MKC has a higher rate of returning customers than the industry leader Swanson
- MKC has a customer return rate of 14.64% where Swanson only converted 11.91% of their initial sales into customer repurchases.

## Additional Data:

- Campbell's Swanson brand's line of stocks and broths is the industry leader as a whole, and while MKC's sales were significantly smaller in number, their returning customer rate is an encouraging sign for future growth in the sector.
- Kitchen Basic's price per unit was an average of \$0.42 higher than Swanson's



# Key Insights from Financial Statement Analysis

## Data From Analysis:

	Year Over Year			
	2020	2019	2018	2017
Sales (Revenues)	4.75%	-1.14%	11.89%	9.58%
Cost of Sales	3.03%	5.40%	7.85%	8.35%
Gross Profit	7.03%	-8.69%	16.95%	11.16%
SG&A Expense	9.84%	-18.38%	14.96%	6.33%
EBIT	4.12%	3.86%	19.62%	18.88%

## Insights:

- Although sales increased from \$5,347.40 million to \$5,601.30 million from 2019 to 2020, sales growth has been in decline since 2018
- This trend extends down to Gross Profit
- COGS and SG&A margins decreased over the past year
- Overall, the financial analysis of MKC and a competitor (Campbell Soup Company) showed that the industry as a whole has faced a decline over the past few years. In this environment, MKC needs to capture more of the market in order to increase sales growth.

# What's Next?

- We believe that MKC can increase their sales of stocks and broths through repackaging the container
  - Changing the colors of the packaging to a light blue/green color which would make the packaging look more appealing/nourishing
  - Make the cap of the package red to match McCormick's spice container tops, aligning the Kitchen Basics brand more with the McCormick's prestigious reputation of flavor in the spice industry without devaluing the brand
- Additionally MKC should consider value packaging (2 in 1)
  - Analysis from sample data showed MKC outperforming multiple competitors on number of units per sale. Value packaging would continue this trend and additionally could compensate for Kitchen Basic's higher pricing.

# Testing Plan

- Split Testing (A/B Testing)
  - Repackage the stock and broth in 3 different models incorporating the new packaging color scheme and design
  - Use an online split A/B testing format to gain a foundational understanding of which packaging, between the original model, the 3 different designs and a competitor's stock/broth, customers would be most likely to choose
- Life-Size Experiments
  - Gain point of sale data
    - Set up grocery store simulation and analyze customer interactions with the stock and broth section
    - Determine if customers are geared towards different packaging of products or towards a specific region of the shelves
  - Determine a market to introduce the model or change in shelving of Kitchen Basics that the A/B testing and Point of Sale data showed that customers preferred
    - From an isolated market, see if there is a change in sales based on repackaging or reorganization

# Analysis of Information

- Split test (A/B) testing
  - The results from the split testing will show that if one model is significantly more popular than the other three models, then it is essential to understand why. The color scheme or design could both be a factor. The most popular model should then be implemented in the next round of experimental testing to understand if it would translate into customer purchases.
- Life-size Experiment
  - Retail Simulation
    - Will provide feedback on how the customer shops for stock and broths.
    - Giving insight on the decision-making process and how different layouts of the shelves and products impacts sales
  - Introduction into isolated market
    - Data will give information on how product enhancements will impact sales in actual stores in an isolated market to potentially translate to the whole market of stock and broths in all retailers

# Conclusion

- We believe that McCormick will be able to revitalize the sales of their Kitchen Basics in the stock and broth category with the careful implementation of our initial recommendations of repackaging when paired with the proper testing procedure outlined in the report.