HM15

HAPPENING MARKETING 2015

MARKETING B2B
B2B MARKETING

A L'UNIVERSITE DU QUEBEC A TROIS-RIVIERES

On nourrit le monde

Description

Company Presentation

Olymel is a multinational corporation specializing in the food industry, primarily in the fields of slaughtering and meat processing of pork and poultry. The company is also distinguishes itself in retailing its products. Olymel owns 23 plants and distribution centers, including its head office located in Saint-Hyacinthe, and has over 10,000 employees. The organization, with a weekly capacity to process 160,000 pigs and over 3 million poultry, has an annual turnover of about $2.5 billion. Its President and CEO, Réjean Nadeau, joined the Coop fédérée in 1976.

The company has three main brands: The Olymel brand offers products such as bacon, ham, processed meats, deli meats, and different varieties of sausages. The Flamingo brand offers processed poultry products such as chicken and turkey, as well as frozen products such as chicken wings, croquettes and chicken fingers. The third brand, Lafleur, offers products such as processed meats, deli meats, different varieties of sausages, etc. To meet the demand, Olymel also provides Quebec food retailers, such as Loblaws, Sobeys (IGA) and Metro, its main customers, store brand products.

Company Mission and Purpose

The Olymel mission is to remain the Canadian leader in the fields of slaughtering, processing and marketing pork and poultry meats, both nationally and internationally. Their slogan illustrates their mission: "Feeding the world with passion."

Background

1991: La Coop fédérée creates the Olymel limited partnership by merging its operations with those of Groupe Olympia in order to consolidate the pork processing sector.

1992: Olymel acquires Tyson Foods Canada and makes its debut in Asia by opening an office in Tokyo, Japan.

1996: Olymel enters into a business partnership with Exceldor to form Unidindon, which becomes the largest turkey processor in Canada.

1998: The new subsidiary is assigned new tasks to develop La Coop fédérée's poultry sector, the Flamingo brand.

2001 to 2004: Olymel builds new plants and offices in both Red Deer, Alberta and Sydney, Australia, in addition to taking a 50 % interest in the bacon manufacturing sector by establishing a business relationship with Groupe Brochu.

2005: Following the business relationship with the Groupe Brochu, Olymel adds the Lafleur brand. As of today, Olymel has developed in Canada by acquiring Bog Sky Farms Inc. located in Humboldt, Saskatchewan and by establishing new offices in Seoul, South Korea.

Company Values

As described on its website and in its employee handbook, the values of Olymel are integrity, respect and trust.

Internal Environment

Finances and Accounting

Olymel is a prosperous organization with a turnover of over 2.5 billon dollars. Company turnover is established by combining the benefits of each distinct plant regardless of whether its division is Olymel, Flamingo or Lafleur. Financial decisions are taken at the corporate level. Each plant is given an annual budget, previously established by the company's senior management. Furthermore, when additional significant investments need to be made, the administrative committee enters into the decision-making process, despite each plant's production autonomy. Outside intervention for decision-making may prove to be an important factor for the plant to function properly. The importance of communication in transmitting information thus becomes paramount.

Marketing

The company distributes its products worldwide in more than 65 countries. Its slogan is therefore simple, effective and significant, "We feed the world." Olymel primarily uses radio and television commercials to promote new products appearing on the market or when there is significant competition on one of its products and it wishes to stand out.

Having its own truck fleet to transport its products, Olymel has over 500 tractor trailers, traveling the roads, proudly displaying its different ads promoting its products. Visual advertising is therefore important. Olymel's advertising methods greatly increase its visibility, while keeping down costs.

Various on-site marketing initiatives, primarily in grocery stores, allow Olymel to get closer to its target clientele. What comes to mind mainly are food tastings and displays. For the organization, it is imperative that it makes itself known to the target audience and develops a relationship with them in order to create an important demand for its products. It is an important leverage of persuasion towards distributors for retail space in their stores.

Human Resources

Since all plants are independent from one another, a management level is found in each one. Human resources management is separate in the various plants of the organization. Furthermore, the staffing method differs from one plant to another

In a large-scale company like Olymel, the significant presence of a workers' Union in the majority of the plants is an element to be considered in management decisions. The place and imposition of the Union varies from one plant to another since each is independent of the others.

Production and R & D

Given its large weekly production, Olymel has had a major research and development team for the past several years. On one hand, the team of specialists is dedicated to the creation of recipes and various processes for its national brand-name products, and on the other hand, it helps support customers in private retail brand foods and exports. The team of experts includes about 15 professionals in food processing, including a manager for the pork division, one for the poultry division, a corporate chef and 12 project managers as well as a few technicians. Furthermore, Olymel invests in the continuous training of its research and development group and ensures that its group of experts participates in trade fairs and exhibitions in its sectors of activity.

Processing, production and distribution technologies are rapidly changing and experts must be on the lookout for the novelties appearing on the market. Each innovation is carefully evaluated, tested and implemented when it proves to be profitable. For Olymel, it is important to be able to respond to the demand for new products by end consumers or food distributors who wish to add products to their range of store brand products.

Organizational Culture

For the past several years, Olymel has had a code of ethics for all its employees. Olymel presents a moral and social commitment to sustainable development, the environment and the treatment of animals that are headed for slaughterhouses. For example, to contribute to sustainable development, Olymel makes sure its packaging is made of recyclable materials, while trying to counter the effects of environmental pollution during production and distribution. Where animals are concerned, rigorous requirements have been given to suppliers, slaughterhouses have been placed under high surveillance, specific slaughtering protocols have been established for each type of product, and employees have been trained to have zero-tolerance for animal cruelty.

Olymel summarizes its core values as integrity, respect and trust. Integrity is a value that invites one to make no compromises on the quality of its products. It is a formal commitment to its customers and consumers on the quality of its products. Respect is an attitude of constantly searching for the best solutions for its customers. The organization seeks constant evolution in its performances. Confidence is essential since it is the basis of the relationship with its many customers. The actions posed by each member of the Olymel family during their daily work must inspire confidence.

External Environment

Rivalry Between Current Competitors

Maple Leaf is the major competitor in Canada. The company offers the same services as Olymel. It has slaughterhouses and meat processing plants. It has over 12 000 employees. It sells several brands directly to consumers, including Maple Leaf, Prime Naturally and Schneiders.

Although only one major competitor targets the same market as Olymel, several small and medium-sized local meat processing plants are also competitors to be taken into account. Given the ever so popular trend of buying local, these providers can remove retail space in groceries according to end-consumer demand.

Threat of Competition From Newcomers

The current overcapacity of processing, the growth of minimum efficiency scale and finally the advanced level of concentration now reached by the industry are factors making the sector less appealing and difficult to sustain. It is therefore unlikely that newcomers will come into this sector. Similarly, at the international level, the possibility of opening up the border is not likely to have a significant impact on the Canadian industry since exchanges at this level are already free of border tariffs. The only barriers that exist are related to health.

Bargaining Power of Purchasers

By analyzing the bargaining power of food distributors, we understand that for the B2B customers of Olymel in Quebec, the few choices of suppliers decrease their bargaining power.

Nevertheless, distributors can see their purchasing decisions influenced by certain factors.

Price sensitivity: The meat market is very sensitive to price. A distributor will not hesitate to switch supplier for $0.01/lb, because of the large quantities purchased.

Demand: In this B2B relationship context, it is important to consider the influence of the end-consumer. In fact, if they want a particular product or brand, the end-consumer can pressure their food distributor to obtain it. In Quebec, the three major food distributors (Sobeys (IGA), Loblaws and Metro) hold 70 % of the market. It is therefore important that each one of them be able to meet de demands of its clientele who otherwise might just turn towards its competitors.

Threat of Substitutes for Your Product or Service

Even though Olymel has only one major competitor in Quebec, certain trends could threaten the company's market share. For some time now, some Quebecers have seen their food trends evolve, moving away from meat on a few occasions for meat-free substitutes that are light, varied and healthy. The food industry sees itself changing. Olymel, like all other food suppliers, must adapt to these trends to benefit from them. One thing remains certain: Quebecers see their food options increase and competition getting fiercer.

Bargaining Power of Suppliers

With the fast-growing demand for pork and poultry in the world, slaughterhouses are becoming more independent, because the demand for their product exceeds the supply. Despite this, the industry can at times end up with a surplus, affected by changes in the law, tensions between countries or a decrease in sales.

In this context, it is important to establish lasting relationships with food distributors to deliver products to the customer. In addition to agreements for retail space of Olymel products, providing store brand products to a distributor greatly increases bargaining power and ensures revenues.

Food Safety

For the company, health and food safety is a token of trust towards its customers.

Olymel uses the PASA program / and HACCP (food safety control and consumer protection). Distributing its products on the Canadian market and export markets, the company's facilities are placed under federal jurisdiction and conduct their operations under the supervision of the Canadian Food Inspection Agency (CFIA).

CFIA

This program is based on four rules:

- Strengthen and standardize the rules;
- Increase the effectiveness of inspections;
- Strengthen the commitment to service; and
- Communicate more information to parties concerned.

The Canadian Food Inspection Agency controls protocols and ensures compliance with food safety. At Olymel, a Quality Control Manager is assigned to comply with the protocol. This position allows maintaining the quality of the product and honouring all the control points required by the certification.

SQF

The SQF has several levels of certification. However, they all demonstrate that an organization produces, processes, prepares and handles food products using the highest standards of food safety and quality recognized worldwide. In order to always move forward and remain a leader in the field of agri-food processing in Canada, Olymel invests in scientific research at all levels of its sector of activity whether during production, processing or packaging.

You will find a few organizations with whom Olymel collaborates for research:

- Dairy and Swine Research and Development Centre, part of Agriculture and Agri-food Canada (AAFC) in Sherbrooke;
- Food Research and Development Centre, part of Agriculture and Agri-food Canada (AAC) in Saint-Hyacinthe ;
- McGill University, Macdonald Campus, in Ste-Anne-de-Bellevue ;
- Research Chair of Meat Safety Faculty of Veterinary Medicine of Université de Montréal in Saint-Hyacinthe ;
- Faculty of Agriculture and Food Sciences, Université Laval in Québec

Despite numerous protocols and certifications followed by the company, there is always a risk factor present when it comes to food products. To guarantee a quality product, Olymel is part of the traceability procedure. This procedure provides the food's background, a method which helps remove products off the shelf more easily in case of a danger to health, when a massive recall is necessary. Especially, for foods that need to be removed.

Although many costs result from these procedures, Olymel invests in them to satisfy its customers around the world.

Sustainable Development and Environment

Olymel is constantly looking to innovate when it comes to its environmental footprint and this in all sectors of its business. Whether at the plant functioning level, preparation methods, product packaging, transportation, or the distribution of residual contents, the organization considers it fundamental to maintain the environment for future generations and reduce its ecological footprint.

For example, to contribute to the reduction of energy use, Olymel establishes energy committees in all its plants, attempting to reduce its consumption of electricity and natural gas at all stages of production.

Here are a few projects underway:

- Improved lighting control
- Replacement of water heaters by more efficient units
- Thermal energy recovery from one process to another
- Improved temperature management

The company actively cooperates with municipal compensation programs for collecting recyclables, particularly in Québec, Ontario and British Columbia. It financially supports these programs for a half million dollars to help pay collection costs, transportation, sorting and condition of recyclables.

MMOF Analysis

Potential Strengths

The Olymel company is renowned for the quality of its advertising. Several advertising methods were developed by them to make itself known and become a leader in the industry of production, processing and distribution of meat, poultry and pork. The company website is very comprehensive, especially in comparison to the other players in the industry. The quantity and especially the quality of the information found are exceptional.

Television commercials emphasize the importance of food transformation from the farm to the table. Finally, advertising found on the trucking fleet is an asset given its low cost and important opportunity of visibility.

To remain a pillar in the industry, investing in research and development is essential. Olymel has an important research and development team dedicated to elaborating recipes and different processes for its national brand products, as well as supporting the food service customers, for private and export brands. These investments allow the company to maintain a competitive advantage.

Olymel can endorse its success on the different trademarks that have been proven through the years. The most important are Flamingo and Lafleur. For more than 50 years, Flamingo has been offering high quality poultry products. The Lafleur brand has been available for over 100 years.

Customer service is also a company strong point. With its numerous years of experience, Olymel is able to rapidly seize the needs of B2B and B2C consumers. A relationship of trust between the various B2B partners is essential in building strong ties. These relationships could provide an advantage over fierce competition with food distributors.

Potential Shortcomings

Like many companies in the industry, Olymel must face the challenges brought on by the presence of Unions in its factories. It is essential to take into consideration this important stakeholder in all management decisions. Although the presence of a Union may be beneficial, it is an additional challenge for management.

As mentioned previously, both strategic directions and financial decisions for Olymel are taken for all the plants by senior management. This method of management can create certain challenges. Communicating and interpreting information become a major challenge. Taking into account local issues is also necessary to develop realistic and appropriate strategies.

Potential Business Opportunities

In 2013, Olymel invested large sums of money in transforming existing plants to combine the production of several products under the same roof. The plant in Cornwall (Ontario) has been expanded with investments totalling up to $37 million. By modernizing certain facilities, thanks to the installation of state-of-the-art equipment and by increasing the capacity of the plants, production flexibility is increased and is able to meet market demands.

Acquisitions and mergers are also strategies used by Olymel in the past to develop its organization. By acquiring companies or by merging its activities with other partners, Olymel had rapidly become a key industry. The acquisition of Tyson Foods Canada (opening onto Japan), the affiliation to create Unidindon (becomes the leader in turkey processing) and the investment in Groupe Brochu (major player in bacon processing) are examples that have marked the growth of the Canadian company.

Potential Threats

Even by adhering to the highest standards of health used in food processing, Olymel is vulnerable to food contaminations that could seriously taint its reputation. As we previously experienced with listeriosis, consumer mistrust is certainly the worst parasite for the company that will have to pay astronomical costs.

In an international trade context, such as Olymel, the exchange rate is a highly significant element for the profitability of activities. Furthermore, the organization has no control over this external factor.

The purchasing power of the three most important Quebec food distributors on the market is a threat, because they control more than 70% of food stores for Canadians. The relationship with partners is essential to secure the points of sale and agreements with the store brand of these retailers and to maintain durable growth for Olymel.

Olymel B2B Marketing Elements

At Olymel, the basis of its B2B marketing approach resides in its customer relationship and the reputation it has created with Quebec customers. The organization makes a point of listening to the customers of distributors in order to meet their evolving needs concerning food. The main challenge for the company is to please by the store brands that Olymel manufactures for them. As this represents 50% of the company's actual sales, it is important to develop healthy partnerships between entities using communication tools that reach them effectively. When establishing these relationships, one must clearly understand that the distributor is a partner and competitor at the same time and that it is important to find the right balance.

Several market trends have contributed to the evolution of the food market in recent years and should be taken into account:

- The popularity of cooking shows plays an important role on products offered in stores. For example, if Ricardo decides to prepare a recipe with a new type of pulled pork on his show, the company must adjust its offer and propose products that follow culinary trends to make customers happy.

- Consumers are increasingly sensitive to health foods creating a demand for these types of products that was not there before. We can now find, for example, products with less salt and organic farm products to meet these demands. This tendency creates a lot of tension on the research and development departments that must find innovative products to meet these demands, without affecting the price of the product lines offered.
- Consumers are considering the purchase of local products more and more. What is good for Olymel is that it is a co-op from here. However, it must respect these commitments with customers by offering these types of products.

Mandate

Olymel is a company that likes to take advantage of market opportunities. Its reality and ultimate challenge is to ensure the satisfaction and loyalty of food distributors, such as Sobeys, Loblaw and Metro. Olymel needs to maintain a good relationship with the food distributors because they own the retail space of their products and create a demand for store brands. They ensure the sustainability of Olymel's activities.

Olymel is now ready to review its structure to improve the relationship approach it has with its distributors. The leaders therefore need to answer the following questions:

1) What strategy should be used and what actions taken to retain food distributors and keep them satisfied as customers? When developing strategies, it must be fully understood that the distributor is a partner and competitor. A balance must be found.

2) What should be the strategy and what actions should be taken to attract the end consumer and therefore increase the demand for Olymel and store brand products?