Portfolio of Evidence

MBAD 822 – 2019

By

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Declaration of own work: I declare that this assignment is my own work and that I have cited the sources from which I completed the assignment. X

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1. Introduction:

CC Chickens (Pty) Ltd, is a poultry processing facility, or a chicken abattoir, located in Kroonstad in the Free State, South Africa. The company slaughters on average 50 000 chickens a day, in a normal 9-hour working shift.

The company is owned by 9 shareholders, of which 8 of them are contract growers for the company. The contract growers receive the day-old chicks on their farms, and then grows the chickens for an average of 33 days until they are about 1.85kg live weight, before they are transported to the abattoir and then slaughtered.

The abattoir processes about 92 500kg of meat each working day, of which approximately 70%-75% of the carcass is sellable meat. The other 25%-30% is then mostly lost to the weight of feathers and blood, as well as some of the organs that cannot be sold.

The carcasses will then be processed into one of two types of meat:

- Fresh meat: The meat will not be frozen, but kept below 7°C until it reaches the customer. This meat can also not be injected with brine, which is salt water solution injected into meat to give it more volume and flavour.
- Frozen meat: This meat, as stated, will be frozen after processing and is normally packaged in individual bags. This meat can be injected with 8% or 15% brine, or not at all, depending on what the customer needs.

Both of the above-mentioned types of meats, can be sold as whole-birds, meaning the whole carcass which in not cut into portions, or into a variety of different portions, of which the main portions include:

- Breast fillets
- Leg quarters (thighs and drumsticks)
- Wings

After the meat has been processed and packed, the products are sold as individual boxes or as pallets. CC Chickens has its own small cooling truck fleet, which delivers smaller loads of between 4- and 14 tons of meat to customers located within 300km of the abattoir. For larger loads, or customers that is located further than 300km, the company will use hired transport to deliver the meat to their customers.

CC Chickens have a very broad list of customers, that is situated in every province of South Africa. They are also exporting their products into Lesotho and Namibia (when there are not sanctions imposed). All of their products are delivered to the customers doorsteps if their orders are sufficient in volume.

Orders for next day deliveries should be made before 11:00 in the mornings, to ensure that the abattoir has sufficient time to produce the correct product mix, and so that it can be packed for the customers as requested, and to ensure that the logistics department has sufficient time to organise the deliveries.

2. <u>Business Mission Statement:</u>

CC Chickens (Pty) Ltd are the in chicken processing and - meat industry, where they want to deliver a quality meat product, at competitive prices, right to their customers doorsteps. They also want to increase their market share, through increasing their daily production of processing 50 000 chickens in a single 9-hour shift to being able to process 80 000 chickens a day in the same length shift. This will lead to an increase of 60% in their daily production, as well as an additional 60% more meat that will have to be sold.

The company want to achieve this increase in production within the next 3 years, and their strategic planning was done to make this possible, if the market conditions in the poultry industry remain favourable. The vision is well known to most of the employees, but the mission of how to get there is mostly only known by management and supervisors, because this is more the long-term plan and not the main vision of the company.

If the company want to increase their production and still be able to sell the increased volume of meat that in now being produced, they have to concentrate on their main vision, which was earlier stated as the following:

"CC Chickens (Pty) Ltd are the in chicken processing and meat industry, where they want to deliver a quality meat product, at competitive prices, right to their customers doorsteps."

This above-mentioned vision is clearly communicated to all employees on al levels. The chicken processing and - meat is a very competitive one with JSE listed companies such as Astral Limited and Rainbow Chickens being the biggest companies in the market. Because of the highly competitive market, your product has to be of very good quality and of course at a competitive price.

They currently do not focus to much on developing their brand and actively pursuing new customer, as their current customer base in large enough to consume all of the products they produce. But they will soon have to start building their brand as production will increased with 60%, which will mean that they have to sell 60% more products. And they can only build their brand if their product is of the best quality and price, as stated in their vision statement.

CC Chickens business is defined to what the customers' needs are in terms of the meat that they need, and to when and where they need it delivered. The prices that are quoted to the customers, includes the delivery costs to where they need the product. CC Chickens also prides themselves to deliver their products on a timely basis as requested by the customers. So, their main business is not focused on the service or products they provide, but rather focusing on what the customers' needs are and providing services and products to need the customer's needs.

3. Strategic Marketing Objectives:

As mentioned in the business mission statement, the company wants to increase its production capacity with 60%. This is formally captured in the minutes of meetings of management and shareholders meetings, and it is well known to supervisors, management, the directors and the shareholders.

The objective for the company is to obtain this increase in production within the next 3 years. After consultation with the company's abattoir manager, it was confirmed that all of the production departments are already equipped to handle the increase in production, except for their packing room, where the products are packed as requested. As well as the airline that will have to be extended to accommodate the larger volumes of carcasses. The airline is like a blast freezer where the carcasses spends about 45 minutes in to cool of the meat, after the blood, feathers and intestines have been removed.

The increase in production depends on the profits that will be realised within the next 2 years. CC Chickens are currently experiencing the best 3 years financially in their history. But, this can all change from a highly profitable industry, to one that accrues big financial losses, if there is a drought in the yellow maize production areas. So their objectives is based on financial profits.

The marketing– and sales departments have already identified what needs to be done to be able to sell the additional volumes of meat, after production capacity have been increased. They have identified the following steps to be taken in the next 3 years to ensure that they are ready for the increase in production:

Step 1: Appoint a brand manager immediately. Building the brand of CC Chickens is the most critical activity that needs to done, before they can go out and advertise their products. They have already identified a candidate, who is already working in the group of companies. She obtained a B.Com degree in Marketing and have also worked in the marketing department of CC Chickens before, so she has the qualifications and experience to fill this position.

Step 2: They will have to increase their brand awareness as soon as possible. If they want to pursue new customers, the potential customers must at least have heard of the CC Chickens brand or seen it before. This will be done by branding their trucks that makes deliveries, as well as creating an online presence for themselves or a variety of different social media platforms.

Step 3: After their brand has been developed sufficiently, they will have to appoint another sales clerk. This will possible happen within the next 2 years. The sales clerks responsibility is to place orders for customers, as well as to call them for their orders. The workload will just be to much for the current staff in the department.

Step 4: The marketing department will actively pursue new potential customers and increase their current customer basis, if the current customers cannot consume all of the additional products that will be produced.

It is currently not necessary for CC Chickens to pursue new customers, as their current customer base consumes all of their products. If the branding can be done effectively enough, then new customers will come to them instead of them needing to recruit potential customers.

Their current and future marketing objective will be to maximise customer satisfaction instead of getting as much customers as they can. They believe that if their product quality is good enough, then it will not be necessary for them to increase their customers base, as their current customers will consume enough of their volume of products. Many of their customers are large corporations that will also be able to procure more of their products, because CC Chickens can currently only supply them with the available inventory, but their orders are also many times larger than what CC Chickens can supply.

After consulting with their marketing manager, she told me that the ideal will be for them to sell more products, but to less customers, that will take larger volumes of products.

4. SWOT Analysis:

A SWOT analysis is a technique used in business to determine what a company's internals strengths and weakness are, as well as to identify external threats and opportunities according to Mind Tools (Anon., 2019).

Doing a SWOT analysis can feel like a very basic exercise for a company to do, but it is a very useful tool to use, to identify what internal factors creates a competitive advantage over your competition (strengths) and what opportunities are the company well-placed in to try and exploit (opportunities). By also determining where the weak chain in the link are (weaknesses), the company can try and forecast problems and strategically eliminate the potential threats.

The following table is a basic SWOT analysis that was done for CC Chickens (Pty) Ltd:

SWOT Analysis for CC Chickens (Pty) Ltd	
Strengths:	**Weaknesses:**
• The abattoir and distribution point are located in Kroonstad, which is positioned very central to most of the provinces. So, products can be sold and delivered right across the country. • The production line is very flexible, so the product mix that is being produced and packed can be altered within minutes. • The last 2 financial years have been the most profitable in CC Chickens history, so the company is in a good financial position. • The abattoir has been GFSI (Global Food Safety Initiative), Halaal and ZA approved.	• Building the CC Chickens brand has not been a focus point in the past. So, there is no strong brand linked to our products. • The shareholders of the company, are also contract growers. They determine the purchasing price for the live birds, meaning a better margin for them. This in turn makes our live chickens more expensive, reducing our competitive advantage over larger corporations, who can grow their birds internally and do not have to pay out profit margins. • CC Chickens is not located in a big metro, so it is much more difficult to attract and retain skilled workers and professionals.
Opportunities:	**Threats:**
• Because of the company's good financial position, they have the capability to increase their production volumes. • CC Chickens management and directors can make decisions	• Imported poultry meat can be imported for a better price that what can be produced in South Africa, which results in local producers selling their products at a reduced price, reducing profits.

easier and quicker, than larger corporations, who needs the approval of a much larger hierarchy with more levels of approval needed. • Because of the GFSI, Halaal and ZA approvals, CC Chickens can export their meat to other countries. The also already have an export registrations number. • CC Chickens have started their own training centre, which has been approved by AgriSETA. So, they receive money to train their workers, which leads to a better skilled workforce.	• It is a highly competitive industry, with the industry being dominated by 2 big corporations, namely Astral Foods and Rainbow Chickens (RCL Foods). • The maize prices are the most important variable in the price calculations paid to the contract growers. So, if there is a drought in the yellow maize producing areas of South Africa, the price of live chickens increases, which in effect reduces the profits.

5. <u>Competitor Analysis:</u>

According to Entrepreneur South Africa, doing a competitor analysis is a critical step in a marketing plan. Doing this analysis will give a company an idea of where they stand in their industry and will also give more details about their major competitors and what they are doing better.

I will be dividing the competitors of CC Chickens into 2 groups. The first one will be their competitors due to their size and dominance in the industry, the next group will be competitors that is close in proximity to CC Chickens abattoir.

After discussions with CC Chickens managing director and sales manager, the following companies have been identified as CC Chickens main competitors in size:

- Astral Foods
- RCL Foods (Previously Rainbow Chickens)
- Country Birds Holdings

The following competitors have been identified, because of their close proximity to CC Chickens and Kroonstad:

- Grain Field Chickens
- Chubby Chick
- Henwil Chickens

5.1 <u>Competitors in size:</u>

CC Chickens has the capacity to slaughter 50 000 chickens a day, and 300 000 chickens in a 6-day working week. The following competitors have been identified and chosen due to their dominance in the poultry industry and the volume of chickens they slaughter in a week.

Astral Foods:

According to Astral Foods website, their poultry processing operations is divided into 4 companies, namely:

- Festive
- Goldi
- Mountain Valley
- County Fair

The abattoirs are situated in 4 different provinces (Gauteng, Mpumalanga, KwaZulu-Natal and Western Cape) and all together the 4 abattoirs can process 4 395 000 chickens in a week (Anon., 2019). That means that there are more than 14 times bigger than CC Chickens when it comes to the volume of birds that can be processed in a single week.

They also have the advantage that they can supply the supply chain in-house. They have their own feed company, breeding operations, as well as their own hatcheries, which supplies the whole group and gives them a competitive advantage, because these costs will not include additional profit margins from external suppliers.

They supply the restaurant industry with Spur and Famous Brands being some of their notable customers. They also sell their products under the Festive, Goldi and County Fair brands which can normally be purchased in any of the big retail stores.

RCL Foods:

According to RCL Foods website, the company was founded in 1960 as Rainbow Chickens, which have become a household name. The whole group is a food consumer company which includes other brands such as Nola, Selati and Bobtail to name a few (Anon., 2019).

Our focus will be on Rainbow chickens and Rainbow Food Solutions. They process 4 million chickens per week, making them more than 13 times bigger than CC Chickens in terms of volume.

Rainbow Food Solutions also dominates the quick service restaurant or “take-away’ industry, supplying to customers such as KFC, Nando’s and Chickens Licken. Just like Astral, they control their entire supply-chain, from the breeder farms right through to the abattoirs, decreasing their operations costs in comparison to CC Chickens, to uses external suppliers in most of the supply-chain.

Country Bird Holdings:

Country Bird Holdings is a company that specialises in departments of the poultry industry. That includes Nutri Feeds that animal feed company, but which mainly focuses on supplying Supreme Poultry with the necessary feeds for the broiler chickens. Ross is also subsidiary of CBH, which focuses on broiler genetics (Anon., 2019).

Supreme Poultry is the subsidiary of CBH that we want to focus on. The are also in the broiler chicken processing business and can process 1.5 millions chickens a week collectively at their 3 abattoirs. That makes them the third largest poultry producer in South Africa. This makes them 5 times bigger than CC Chickens when comparing the volumes of chickens processed.

Just like Astral and RCL, Supreme supplies meat to the quick service restaurant industry and some of their most notable customers includes KFC, Nando's and Famous Brands.

5.2 Competitors in proximity:

CC Chickens are the biggest poultry processing plant in the Northern Free State, but they are surrounded by a lot of other abattoirs within the North-West and Gauteng provinces, as well as other facilities in the Free State itself.

We will be looking at 2 other poultry processing companies that is located within a 160km radius from Kroonstad. There are 2 poultry processing plants that falls within this perimeter that has been set:

Chubby Chick:

Fourie's Poultry Farms t/a Chubby Chick is located in Potchefstroom in the North-West. Potchefstroom and Kroonstad are located just 120km from each other, which means it is considered as a competitor to CC Chickens due to its close proximity.

Chubby Chick is a family-owned business that started the 1950 and they supply large food chains such as OBC and Woolworths with fresh and frozen chicken products according to Matlosana website (Anon., 2019).

Grain Field Chickens:

Grain Field Chickens is a subsidiary of the VKB Agriculture group (Anon., 2019). They are located in Reitz in the Eastern Free-State, which is just 158km from Kroonstad. Grain Fields is a relatively new abattoir, only being established in 2010.

They can currently process 850 000 chickens is a single week, making them almost 3 times bigger than CC Chickens in production volumes. They are also selling fresh and frozen products in the Free-State markets, which makes them CC Chickens direct competitor in terms of their location and target markets.

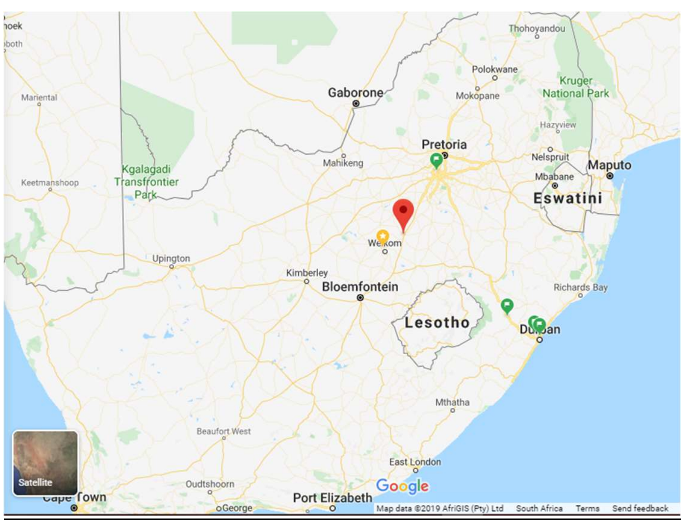
6. <u>Competitive Advantages:</u>

Competitive advantages are described as conditions that allows a company to product a equal quality product, but at a lower cost or at a more desirable fashion, according to Investopedia's website (Anon., 2019). Therefore, in more plain terms, it will be what can you do better than you competitors.

In the poultry industry, the different portions of chicken meat have already been identified, and most of the companies in the poultry industry will pack the same types of products. What differentiates the products will then only be the quality of the meat and attractiveness of the packaging. All of the poultry abattoirs will have to have some sort of quality certifications such as ISO 22000 or GFSI (which is held by CC Chickens) for them to be allowed to process poultry meat, so there will be no competitive advantage in that form. Almost all of the abattoirs will also have some sort of Halaal certification, otherwise their market to sell their products to will be decrease dramatically, so there also no competitive advantage for CC Chickens having been Halaal approved.

After discussions with managing director and sales manager of CC Chickens, the following factors have been identified as competitive advantages for CC Chickens:

- Location of the abattoir: CC Chickens is located in Kroonstad, in the Northern Free-State. As can be seen on the image below, Kroonstad in located very central to most of the provinces and right along the N1, which is our national road. There are big metros situated within a 300km radius of Kroonstad, which includes the biggest part of Gauteng, Bloemfontein, Klerksdorp and Potchefstroom just to name a few. They can supply to any customers in the country, no matter where they are located. They also have a very big footprint in KwaZulu-Natal and the Northern-Cape. Customers in the Western-Cape are also supplied with the help of long-haul cold-chain transporters. The location gives CC Chickens the advantage of being able to accommodate customers from right over the country, and not just the area that surrounds Kroonstad.



- Timely deliveries: CC Chickens has its own fleet of 7 trucks equipped with cooling units to deliver their products. Their loading capacities varies between 4 – 14 tons, or a maximum of 14 pallets of products. The CC Chickens fleet will normally service the Free-State, Gauteng and North-West province, if the orders do not exceed 14 tons or 14 pallets. When deliveries need to be made to clients outside these provinces, or the orders exceeds the maximum load capacities, then CC Chickens will acquire the services of hired transport. CC Chickens have formed good working relationships with Lieben Logistics and Reinke Logistix, who is the preferred suppliers for the needed deliveries. A customer can place a order before 11:00 and then they will be assured that their stock will be delivered the very next day, at any location in the country.

- Flexibility of changing the product mixture that is being produced: Many of the larger poultry processors have large contracts with large corporations who needs to be assured of their stock every single day, like for instance KFC will need their specific portions every single day at the correct volumes. Most of these products mixtures being packed will then have fixed production lines, from where only these products can be packed. CC Chickens have a very flexible production – and packing lines, which can be changed with the order of a supervisor. The reason this is a competitive advantage, is that the products that is being ordered can be packed within a couple of hours after being order, and there is no reason that can be given to the customer that there is not stock available for them. The product mixture on a day can also be changed so that only products can be packed that is in high demand at that current period of time. Therefore, CC Chickens can advertise and market any of their products for next day deliveries, which will increase the value associated with the CC Chickens brand.

7. Marketing Strategy:

The marketing strategy of a company refers to their "Game Plan" on how to reach new potential customers and ultimately how to turn them into customers, according to Investopedia (Anon., 2019). The marketing strategy will contain all of the key elements on how a company plans to pursue new customers and add more value to their current customers. Some of the elements are the company's value proposition, key branding message and data on their target customers demographics.

7.1 Target market strategy

CC Chickens currently supply customers in a lot of different sectors, from restaurant chain suppliers to fast food restaurants and exporters. The company will like to focus and target suppliers who can take larger volumes of product per delivery, rather than more customers that is smaller in size. Therefore, their customer basis will be heterogeneous in nature, because it does not matter in what sector or industry their customers operate in.

In respect of geographic nature of CC Chickens customers, this will also be heterogeneous, because CC Chickens will deliver their product anywhere in country, if the customers order exceeds the threshold set by CC Chickens for minimum volume deliveries, and given that the infrastructure around the customer allows for trucks to be able to make the deliveries.

In terms of the growth in the different market segments that CC Chickens supply, CC Chickens supplies chicken meat in different portions. The whole world is currently trying to adapt a healthier lifestyle, and focusing more on what they eat. South Africa has recently been named the unhealthiest country in the world by “The Active Times” (Van Hare, 2019) of which obesity was one of the key considerations. Chicken meat is known as one of the healthiest sources of protein (Nagdeve, 2019) which contain less amounts of fat when compared to other sources of protein.

The other big advantage for CC Chickens, is that chickens meat is both the least expensive meat, as well as the most popular meat given that South Africa consumes about 28 millions chickens a week, according to Business Insider South Africa (Anon., 2019). And given South Africa generally known economic growth and unemployment struggles, it indicates that chicken meat will only continue to become more popular, because of its price, and this can be expected in all of CC Chickens customer market segments.

The poultry meat industry is a highly competitive one, with customers not being shy to support other suppliers if their products are less expensive or they get better payment terms. Therefore, potential customers who buys chicken meat will be open for communication efforts from a potential supplier if they can agree on a better price, given that they are not contractually bounded to a certain supplier, which is highly unlikely because of the competitiveness in the market and customers always needing the best prices.

CC Chickens as mentioned, will be targeting customers who can take larger volumes of meat per order, instead of targeting more customers by numbers. Now specific to that requirements, market segments that will most likely be targeted by them, will be markets such as wholesalers, meat distributers and restaurant suppliers. Now CC Chickens will not be targeting the largest wholesalers such as Pick-n-Pay and Checkers, because they already have contracts with some of the larger companies in the poultry industry, but rather some of the more unknown and up-and-coming wholesalers who has the capacity to grow into more noticeable brands. One key customer that CC Chickens recently acquired, was a wholesaler that one of the subsidiaries of one of the biggest companies in the world, namely Walmart. The other high opportunity market will be distributers, because their only focus is to make as much money by being the middle man. Distributers will always use a supplier that will be able to offer them the best prices. Now this will mean that CC Chickens might have to decrease their prices for distributers, but if they increase their production with 60% within the next few years, it might not be a bad option to sell more volumes of products, but at smaller margins.

The well-known listeriosis outbreak in South Africa made a lot of customers wary of the products that they are buying, especially in the poultry meat industry, as Rainbow Chickens was one of the culprits that was identified, but later cleared after it was discovered that it was not the deadly ST6 strain, that led to the death of 160 people (Grobler, 2018). But the damage has already been done to Rainbow Chickens brand, and poultry meat as a whole in South Africa. Customers needs have changed, in the fact that they need to be assured of the quality and safety of the meat that they are buying. CC Chickens sends weekly sample to external laboratories to be tested and verified that the meat is safe for human consumption, they also have their own laboratory where the meat is tested on a daily basis to ensure their products remains of the best quality.

CC Chickens most popular product by far, when comparing it to other products in the volumes that is sold, is their soup cut portions. It is one of the cheapest products that is sold by CC Chickens, and packed in such a manner that it is very easy for customers to pack out on their shelves and resell the product. This will be the product that differentiates CC Chickens from our competitors, as other companies have not been able to emulate the success with these products. The product is needed by CC Chickens, because it is their best seller, and it can be used as a bargaining tool to sell other products with the soup cuts, because the orders for soup cuts along are normally not large enough in volume to be delivered, so customers has to buy other more expensive products with thee soup cuts to ensure delivery.

At least 95% of all of the products sold by CC Chickens can be classified as repeat sales on a weekly basis, as our customers has a high turnaround on their stock that is acquired. The other 4% will be seasonal or occasional customers that buys their products for functions or other gathering, and 1% of sales can be attributed to the general public of workers that buys their products. The reason why public sales is so minimal, is that customers is not allowed to remove the meat from the premises if they do not have the required cooling facilities, like a cooling truck, because it places CC Chickens at risk, because the cold-link chain is broken before the product is finally consumed by the end-user.

CC Chickens have been placing more emphasis on building their brand over the past year, by branding their trucks so that the CC Chickens brand can also be more visible. They have also adapted their packing, making the products more appealing to the eye and branding the boxes in much the products are being sold. The quality of their products is externally verified by independent inspectors, and CC Chickens have not had problems or complaints about the quality of their products. They have well had complaints about the conditions that the products are in when it arrives at the clients, but this was due to negligent driving from the drivers delivering the products, because the boxed will be damaged and pallets will be broken with the products laying all over the truck.

In terms of CC Chickens view in the marketing regarding their price, as mentioned the meat industry is not dominated by customer loyalty, because customers will prefer the suppliers that is the least expensive. Therefore, all of the clients that is buying from CC Chickens, will be paying the best prices, otherwise they would have bought the products from other suppliers.

CC Chickens products will be directed to clients that will be willing to take the biggest volumes of product. So, they will be targeting and directing products to larger consumer and not to just anybody. Larger customer will also get preference current stock or ordered stock because of CC Chickens has limited cold-storage space and large volumes of meat should be moved as quickly as possible.

CC Chickens is currently not actively pursuing new or potential customers, so customers that approaches CC Chickens, will be part of networks that is currently being supplied by CC Chickens or they have heard of CC Chickens through word of mouth by people is their current networks. For a company to become a customer, they should firstly fill in a credit application, stating all of their details and what they need their credit limits to be. After the full application form has been received with the necessary documentation, then they will do a credit check on the company to ensure that the company's trading history is favourable and that it is in-line with the credit terms they are requesting. If the credit check is passed, then a customer will be added to their customer database and they can start placing their orders.

Only major objections that have been received by CC Chickens as to why customers will not want to buy their products, will be that their product was more expensive compared to other poultry meat suppliers or that potential customers could not receive their requested credit limit terms, because they did not pass the necessary credit check.

CC Chickens has a website that anybody can visit, that details the company's history, gives a brief list of which products and portions are sold, and what accreditations and certifications is held by the company. Potential customers can contact the company directly and then ask to be directed to the sales department, from where they can request a price listing, which will contain all of the products that is being sold by CC Chickens, and then the general prices will also be available on the listing. Better prices can then be negotiated with the sales department if they are taking larger volumes of meat.

CC Chickens have a retail shop in Kroonstad for the general public that want to purchase their product, but for customers with larger orders, deliveries can be arranged to wherever the customer needs the products.

There are no current areas that CC Chickens can withdraw their products from, because of other competitors that supplies that area. CC Chickens evaluates their customers and the prices that they receive for their products at that customers on a regular basis, and will then withdraw form supplying those customers if they are not prepared to pay the quoted prices for the meat. New customer groups can be targeted if they are willing to pay the prices set out by the sales department, without the necessity to withdraw from other profitable areas.

Exports have become a possibility for CC Chickens in the last year, after an import and export manager has been appointed. He has successfully been importing products for the last year, and it attending export expo's right across the globe to network with potential customer outside the borders of South Africa. Imports on the other hand have been creating big problems in the poultry industry over the last couple of years in South Africa. Imported poultry meat is imported for cheaper than what local South African companies can produce (Hlatshaneni, 2019), and is then also sold for cheaper, forcing South African companies to lower their prices to stay relevant, reducing their profits drastically. CC Chickens have also started to import poultry meat to try and minimize the effects of imported meat, and what effects it has financially on their company.

7.2 Positioning:

As was mentioned in the competitive advantage, the central positioning of CC Chickens can be seen as an added advantage for the company, because it means that the products can be sold to customers right across the country, with Lesotho also being close in proximity to the abattoir and distributions centre.

Whilst it is an advantage for CC Chickens to be able to service the whole country, because of the central location, there is also a disadvantage for them because they are not located in the Gauteng province, where around 40% of their total products is sold. The reason why this is a disadvantage, is because many of the larger poultry processing companies is located within the Gauteng province, and CC Chickens has the additional expense of transport to get the product from the distribution centre to their customers, which will directly increase their operating costs and decrease their profits.

As mentioned, the poultry processing industry is a very large one in South Africa. There are an estimated 28 million chickens being sold every week in South Africa, which means CC Chickens will only have a 1% market share, given that they slaughter 300 000 chickens a week. So, with that volumes of chicken meat being sold, there will always be existing competitors in the area operate. It will also not be possible to reallocate all of the operations or set up new distributions centres just to tap into markets where there will not be competitors, because of the size of the industry. Positioning will always be close to competitors and the only advantages of reallocation or moving distribution centres, will be to minimise transport costs to clients.

7.3 Marketing mix

CC Chickens does not actively or intensively advertise their products, as the customers currently consumes all of the available stock. Therefore, their current marketing strategy is to create value for their customers through the basic marketing activities, which is the product, distribution, communication and pricing. The assumption is also made that this is how their marketing will continue to operate, until it is needed for them so actively start marketing their products through intensive advertising if they sit with too much stock on hand.

The basic marketing activities which is currently being implemented will be discussed for each activity, and recommendations will be made on how it can be improved going into the future, when they increase their total production volumes with 60% within the next couple of years:

7.3.1 Product:

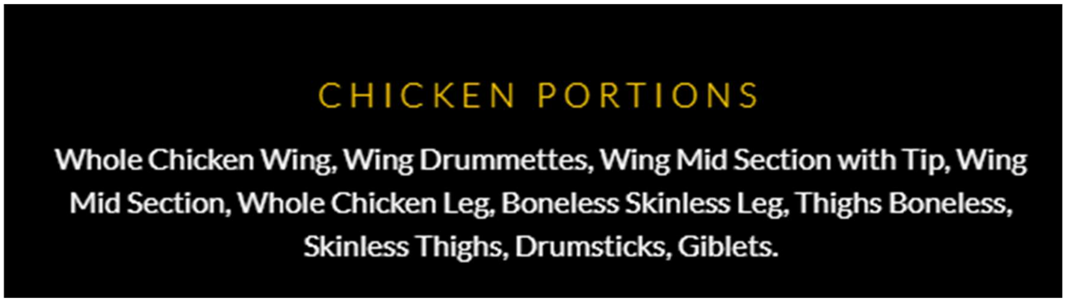
The main product that is being sold by CC Chickens, as can be derived from the company's name itself, is chicken meat. As mentioned in the introduction, a chicken carcass, if not sold as a whole, can be dividend into 4 main portions:

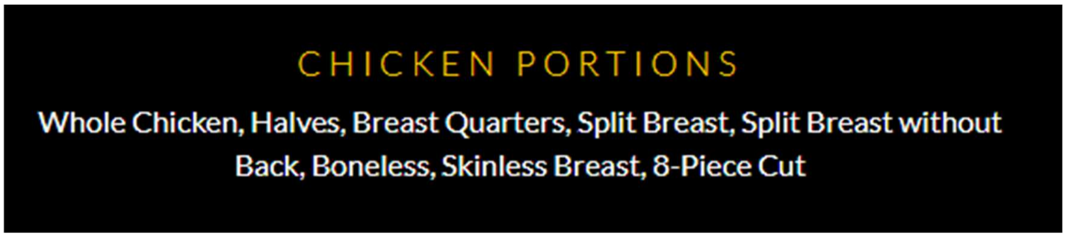
- Breast fillet
- Drumsticks
- Thighs
- Wings

Al of the above mentioned can further divided into smaller portions, like wings can be dividend into drumettes and winglets, or the different portions can be combined to form another portion, like thighs and drumstick together is known as leg quarters. Then the different portions can be packed according to their sizes as well, which will normally be the whole-birds, like for instance certain customer will want whole-bird carcasses that is smaller than 1.3kg.

The chicken meat can also be sold as fresh- or frozen meat as was explained in the introduction, and in different packaging sizes, like in 1kg, 2kg, 5kg or bulk packaging which is normally 10kg bags. In total, CC Chickens has more than 100 different chicken products that can be sold.

See below an image as taken from their website, as a basic summary of different portions that they sell:





An additional service that is rendered and included in the selling price, is delivery of the product to the client's doorstep, where they need if, given that the order exceeds the 50 boxes order size that is required if the customers needs their products delivered. This additional service directly compliments the product that is being sold.

CC Chickens will continue developing their products and packaging, to meet the needs of the customers. Once it is established that a certain product is no longer relevant, then the product will be discontinued. If it is determined that an experimental product or packaging is received well by customers, then it will be added to their regular price- and stock listings.

The most pressure that they receive from customers with regards to their products, will normally be about the size of the chickens, especially the fast-food restaurants. The reason for this being, that they pay for the products per kilogram, therefore the volume of meat they receive. They have fixed menus with fixed prices, so if the portions are larger than what they need, they will pay more for the product, but still only receive their fixed selling price, so they will lose that money directly. They also do not want their clients to get accustomed with the bigger portions, as they will receive complaints later for their smaller portions being sold.

This is also their major weakness and the aspect that most of the customers will complain about, the fact that they cannot control the sizes of the live chickens that comes in to be slaughtered and the size of the portions that can then be processed. They are also always busy arguing with their contract growers to bring in the correct size birds, which ideally will be between 1.8kg and 1.85kg live weight for the company, but the contract growers will like to send in their chickens as big as possible, because they also get paid per kilogram, so the heavier the chickens are, the more money they make.

CC Chickens brand name is very easy to pronounce, remember and to recall. The product names will refer to the portions that has been packed and is also very descriptive, like when you are buying stock code D126, the product name will be “2 x 5kg Chickens Leg Quarters”. The CC Chickens brand is also unique and can easily be distinguished from they other competitors, and their products will be packed in their packaging which clearly showcases the CC Chickens logo.

Frozen chicken products sold by CC Chickens, if kept frozen, has an expiry date that is exactly one year after the product has been packed. The content of the packed products is also clearly stated on the packaging, as required by law. Customers can inform the sales department within 48 hours if the products were not satisfactory to their requirements, from where the product will then be returned and a credit note will be issued. But this can only be granted if the customer can proof that the cold chain procedures was followed correctly by themselves, so that CC Chickens cannot be held accountable for the customers errors. This is how CC Chickens will guarantee that their customers are satisfied with their products.

Customer service is handled by 2 departments is CC Chickens, namely the sales- and debtors departments. Customer orders, complaints and credit note applications will be handled by the sales departments, where customers will be allocated so a specific clerk, to ensure that the clerk can build a relationship with that customer, and that the customer should not have to work with someone else each time. The debtor’s department will work with the customers’ accounts and is responsible to obtain payments from the customers. They will follow up is payments is not made by their due dates and are normally not to popular with the customers, so the sales department is primarily responsible to ensure good customer service.

7.3.2 Distribution:

All of CC Chickens products are distributed from the abattoir itself, where they have a holding freezer that can accommodate 450 frozen pallets. They have just finished construction on another holding freezer, right next to the other one, that can accommodate 600 frozen pallets, which will give them total freezing capacity of 1050 frozen pallets.

They also currently have their own fleet of delivery vehicles, which includes the following:

1 x 4 Ton truck with a cooling unit

3 x 7 Ton trucks with cooling units

3 x 14 Ton trucks with cooling units

All of these trucks are used for deliveries within a 300km radius of the abattoir, which will mostly be delivering in the Gauteng, Free State and North-West province.

For customers that is not within the 300km radius or who's orders accumulatively with other customers in the same area, exceeds 14 tons worth of product, hired transport will be used. They have long haul trucks that can transport 24 tons worth of product. CC Chickens has service level agreements with 3 main transporters to deliver our products to our customers. They are:

- LiebenLogistics
- Reinke Logistix
- HdP Transport

All of the products are delivered directly to the customers door-steps or to where it is needed. All of the products are also distributed directly from the abattoir where they have their own cold-storage facility, located in Kroonstad in the Free State. It is therefore not necessary for customers to travel to the abattoir to collect their products, as it will be delivered directly to them. Only customers who collects their orders from the abattoir, because their orders are to small in volume for deliveries, will be allowed onto the facilities, from where it will be very easy to get to the distribution point to collect their products.

As mentioned, CC Chickens has its own retail store in town, from where the general public can buy the company's products. The retail store is located in Kroonstad, near the biggest taxi rank in town, which is ideal because people can just quickly buy their products before returning home after a day's work. The over-all atmosphere in the area is not what all customers will be satisfied with, as some of the customers feels generally unsafe in this area. But CC Chickens have made the necessary precautions for those customers who feels unsafe in that area, by partnering up with another butchery in town, from where the products can also be bought, where people will feel a little bit safer.

Products can be ordered any time during the normal business hours, which will be from 8:00 – 17:00. If customers want their orders to be delivered on the next day, then orders need to be received before 11:00, to ensure that it can be packed and that transportation can be arranged in time for the next day. Order can be placed on Monday to Fridays, but orders can also be arranged for Saturdays, if there is also be slaughtered on that Saturday, which will be every second Saturday. These times are the most appropriate because it falls within normal business trading hours for orders. Deliveries can be made from 6:00 in the mornings if it is arranged before-hand.

7.3.3 Marketing communication:

In the CC Chickens group, it is only the retail store that will actively advertise their products and run promotions and specials to attract more people to the store. The abattoir has no active advertising campaign, because of their believe that the product sells itself, which until now, has been the case. The only real way for a customer of potential customer to find out what products is available, is to talk to their sales department and to request general price listings, which will contain all of the products that is produced in the abattoir.

The marketing communications activity is one that CC Chickens have never really given to much time and effort to. If they have to much stock on hand, then they will have the sales department call current customers with reduced prices to try and sell the over stocked items. Quarterly budgets are compiled by the finance department, based on estimated received from the marketing manager over the sales that they anticipate, and at what average price they want to sell the products. This estimates that they supply to the finance department, will then be the target that they set for themselves every month, but there is no measure to determine the current effectiveness of any of the communications activities.

Marketing communication can be divided into the following 4 activities, which will be followed by an explanation of how it is currently done at CC Chickens:

<u>Advertising:</u> They do not advertiser their products, the closest that they come to advertising is by displaying the different portions that can be provided on their website. Customers can make inquiries directly on the website, which will be received by the office administrator, who will then direct the inquiry to the correct person responsible. CC Chickens does not advertise on any other platforms, yet.

<u>Public relations:</u> The is no active public relations programs that is managed by CC Chickens. If there is any bad publicity, it will be addressed by the managing director as well as the marketing manager. CC Chickens have recently begun to build good working relationships with the municipal manager and the local newspaper. Our current HR director, who previously held the position as managing director, build these relationships during his time as managing director, and remains responsible for these relationships. CC Chickens have recently built a clinic, which provides basic healthcare to its workers and is busy building a creche for the children of the workers to attend during the day while their parents are at work. All of this have been done to uplift their employees and to show to the public that CC Chickens is giving back to its workers. This was received kindly by the public and all stakeholders.

<u>Personal selling:</u> About 90% of the time and effort in the current sales department is spent on servicing their existing clients and placing orders, or calling customers to get their orders or just general follow-ups. Any potential customers that is pursued by CC Chickens, will be the responsibility of the marketing manager. She will arrange a meeting with them and give all of the necessary details through to the potential customer, if she feels overwhelmed by the customer, then she will ask the managing director to accompany her to the first meetings. There are no incentives for the sales persons that encourages them to obtain new customers, as the company's believe is that their current customer base if sufficient. The marketing manager is responsible for the sales department as a whole, and she has 2 clerks who then works under her. One of the clerks is fluent in Afrikaans and English, and all clients that prefers to do business in one of these languages, will be allocated to him. The other clerk is fluent in Sotho and

Xhosa, but struggles a bit with English, so customers that wants to do business in one of these languages, will be allocated to him. So, customers are allocated to the clerks based on the language preferences. Each potential customer will be approached in a unique manner, depending on what their estimated needs and preferences are. Once contact has been made with the potential customer, follow-up meetings will be organised until the customers places their first order, or if they finally decide that they will not be buying our products. There is no database or direct marketing that will be able to replace or support the current sales force, as their main objectives is not recruit new customers, but to keep the current ones happy.

Sales promotions: It will only be the retail store that will actively be running sales promotions and advertising it to the public on different media streams. The abattoir will never run a promotion that is advertised, as they will be specifically targeting existing customers. This will only happen when the sales department realises that they are overstocked on certain items and they need to get rid of the stock, even if it is at a decreased profit rate. They will call the targeted customers and then offer them the promotion individually, as no customer will pay the same for any product, because the transport cost will need to be adapted for each customer, which is automatically included in their quoted prices. So, promotions will only be offered to certain customers and will only be done to get rid of slow-moving stock.

7.3.4 Price

CC Chickens have created a working paper called a “block-test”, in which they have calculated the costs for each of their products, based on their average selling prices and what they pay for the live weight of the chickens. This file is updated automatically and on a daily basis, so that the sales department can determine what their profits will be on a specific product at a specific price.

The customers in the poultry industry is very price sensitive and will most likely always buy from suppliers that can give them the best prices, which makes the poultry industry very competitive when it comes to the pricing of their products. Most of the customers will firstly request prices from us and then compare it to other suppliers, so there is no need to give any price changes through to them. But customers who has standing weekly orders will be notified a week in advance about any price fluctuations.

No customer at CC Chickens has the same prices for a product, because delivery costs will differ from one customer to the next, as the delivery costs will already be included in the price that is quoted to the customer. CC Chickens focuses mainly on high volume and lower margin trading, but if they want to get a better average selling price, they also try to increase their lower volume sales to smaller customers, who are willing to pay more for the products. So, the number of customers can fluctuate depending on the price of the products, if the selling price is lower, then their will be less customers but more volume of sales, and if the selling price is increased, then their will be more customers, but their sales volumes will decrease.

The "block-test" results will only be used to determine the cost of a certain product, but not to determine the selling price. The selling price is determined by the markets and what their current demands are. The selling prices can also be determined by seasonal sales where the demands may be higher for a specific time, like for instance breast fillets and wings, are more expensive portions and will be more in demand over the festive seasons, especially is December months, when most people receive their annual bonuses and has a little bit more to spend.

Discounts will only be offered if a certain product is classified as slow-moving stock that is busy taking up too much space in the cold-storage. Only other time that discounts or rebates will be offered, is if the customer wants to pay their account before the balances in due, according to their approved credit terms, because this will boost the company's cash flow, but this does not happen often.

Price increases is closely related to the inflation rate, as chicken meat is considered one of the cheapest sources of protein and most of the household in South Africa makes it part of their basic diets. The selling price does not normally increase if the physical cost of the live chicken increase, because of the competitiveness of the industry and the imported poultry meat. The imported poultry meat is being imported at lower costs than for what it can be locally produced, and this forces local companies to lower their selling prices to still be competitive in the market.

CC Chickens offers the following payment terms to customers:

- Cash/payment before delivery
- 7 Days after invoice
- 14 Days after invoice

Customers can also pay using the following methods:

- Cash deposits into the bank account
- Cash payments on site
- Electronic fund transfers (most used and preferred)

CC Chickens do not want to extend terms to longer than 14 days after invoice, because this is the terms on which the contract growers are paid, and any terms longer than 14 days might potentially leave the company with cash-flow problems. The most preferable method of payment accepted by the company and customer is EFT's. Cash on site will always be a risk for the company to be targeted in a robbery or theft by employees and cash deposits directly into the bank account of CC Chickens is a banking cost for their account and is quite expensive.

8. Implementation, Evaluation and Control:

The marketing- and sales departments is currently structured sufficiently to deal with CC Chickens current needs in terms of marketing, advertising and sales. But they want to increase their daily production with 60% within the next 2 years from 50 000 to 80 000 chickens being slaughtered on a business day, and with this there will be an increase of 60% in their total volume of stock that now has to be sold additionally.

Activities that needs to take place:

Their first primary activity that they must get attention, is building their brand. They will have to focus to create a brand that will be easily recognisable once they start to pursue more customers in order to sell their additional products that will be produced. For this activity to enjoy the necessary attention, they will have to appoint a brand manager, who's main focus will just be to develop the CC Chicken brand. The brand manager will also have to create an online presence for the company on a variety of different platforms, which will make it easier for potential customers to get the necessary information that they need on the company.

After the appointment of the brand manager, the sales department will have to be increased in size as the current employees will not be able to handle the additional workload that accompanies the increase in sales. All of these additional activities will be supervised by the marketing manager, so will be responsible for the entire marketing-, sales- and brand departments.

Timeline:

The brand manager should be appointed immediately, as CC Chickens should have started to focus on building their brand long ago and the appointment of a brand manager is long overdue. The additional sales clerk will need to be appointed within the next year, to learn the trade and customers before the increase in production is realised.

Market research:

CC Chickens is also looking into exporting their products, but they will need to do more market research on exports and potential customers, and what trading regulations will need to be followed and adhered to. The managing director and import/export manager will be attending an import/export expo in the Dubai in February 2020 to do the necessary networking.

Financial impact:

The projected financial benefits will only come to realisation, when the production is actually increased and more products can be sold. Building the brand will make the brand more noticeable to customers and potential customers, but it will not increase the volumes of product that is available. One financial benefit that might realise is that the selling price of products can be slightly increase because of the better brand that has been established.

If the exporting leg can be made operational, the there might be more profit to make in that market, because products will be sold in US Dollars, which is significantly stronger than the ZAR, and products can possible be sold at higher prices than what CC Chickens can sell at in the local markets.

The financial disadvantage would be to pay the additional salaries of the brand manager, who can cost the company anything in excess of R275 000 per annum, as well as the sales clerk, who can cost the company approximately R120 000 per annum.

Performance standards and measuring:

The performance of the marketing- and sales departments can be measured in their average selling price that they can achieve for a month. The financial department will set goals for the financial performance of the whole company, and based on the indication that is received from the marketing manager and what their target selling price will be, they can make their estimations and compile quarterly budgets. So, the performance of these departments within CC Chickens can be measured and compared on a monthly basis to previous months performances in terms of total sales and selling price. The total volume and monetary value of all the sales in a month will not be a accurate measuring standard, as the operational business days in a month will very rarely be the same in a specified period of time, and that is why average selling prices is used. The performance will be monitored internally by the financial manager, who will then have to give feedback to the directors and shareholders on the overall financial performance of the company.

Allocated resources:

CC Chickens have had their best financial performance years for the past 2 years, which have placed them in a fortunate situation where they have capital available to invest in improvements and additions in the abattoir, which will allow them to reach their goal of increasing their daily production. The company using their capital wisely and they are not biting of more than they can chew, trying to increase their production with 60%, because they will be increasing their production steadily over the course of 2 years, and not all at once. So, they will have time so sort out any problems that arise with the increase in production, and also foresee other problems that might arise in the future.

Core marketing strategies:

Building the CC Chickens brand will be the first and most important marketing strategy. Whilst building their brand and making it more noticeable, they will have to focus on keeping their existing customers happy and still providing a good customer service. Strengthening their online presence will also be beneficial, especially in todays business where any information is just a click of a button away.

9. Protecting your Marketing Plan:

Not all marketing plans are failproof and many times the expected outcomes do not come to realisation. This happens when the marketers do not anticipate for plan for internal or external variables that might change the outcomes of the expected results (Pamnani, 2018).

According to Pamnani that he wrote on Forbes India, he has identified 10 possible reason why a marketing plan might fail. Here is a short summary of the reasons as identified by him:

- Rapid changes
- Internal bureaucracy
- Unexpected competition
- Past success
- Unclear communication
- Poor product
- Selected market segment
- Unclear strategy
- Focus on market sharing
- Unmet brand promises

I will be focusing on just 5 of the above-mentioned problems and indicate how CC Chickens is protected against this internal and external threats to their marketing plan and their expected results.

- Internal bureaucracy: Internal bureaucracy will all depend on the size of the company and what their approval structures and procedures are. Larger companies tend to have large hierarchical structures that needs to be adhered to and different levels of approvals, which might take a very long time, just to get something small approved. CC Chickens is a large company in Kroonstad, but relatively small in comparison to other companies in the poultry processing industry. They do not have a large hierarchical structure, and small decisions can be made directly my management. Only projects exceeding R500 000 needs to be approved by the directors and the shareholders, so management has been tasked with sufficient responsibility to make their own decisions quickly. So, if something unexpected does occur, management can react fast to the threat.

- Unexpected competition: New businesses are started every day and entrepreneurship is being promoted now more than ever. According to Financial Mail, local producers can only 70% of the local poultry meat demand (Njobeni, 2019), and that is why South Africa remains a net importer of poultry meat. So, if there is new competition that is entering the market, there is enough room in the current markets for them to trade in and supply local demand. Their current managing director also has a very broad networking system, from where he will know if there are new entrants into the market, and what threats do the pose for the company.
- Past success: Past success of a company can be a great referencing source as to what they did right, but it can also deceive in company into falling into a comfort zone. CC Chickens greatest financial performing years, was over the past to 2 years, but they have started paying more attention to small details and improved their procedures so that anything can be measured. Past success can also create a false sense of confidence that a company is going well enough for them to focus on the small details. CC Chickens have started to pay more attention to detail and managers and departments are set cost saving goals so that if the tougher financial times come again, that they have already plugged the holes where money was being wasted.
- Poor product: All of the poultry processing plants has to adhere to certain food safety rules, because there are working with products that will ultimately be consumed by people. Therefore, products are tested every day to ensure their quality and safety. If there is a product that does not satisfy the customers needs or requirements, then immediate attention can be given to the matter in the production line and the necessary changes can be made to ensure a better-quality product. CC Chickens also has a quality control manager who ensures the quality of the product, together with 4 quality control supervisors. CC Chickens will also be building their brand, and they will want people to tie the CC Chickens name with quality.
- Unclear strategy: Many times, in a company, it will just be the managers and supervisors that knows what the marketing strategy is and what they want to achieve and how they want to achieve this. The strategy needs to be shared with all employees so that they can by into the idea of what needs to be achieved and why are they working towards this goal. CC Chickens has made their overall

vision and mission part of the induction course when a new employee enters the workforce, so that everyone shares the same objectives.

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