

Microwavable Food Market Structure Costs and Pricing

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The industry of microwavable food is amazingly developing due to the requirement for comfort, occupied ways of life, the simplicity of planning, and changes in buyer sustenance buying (Food Product Design, 2011). As per the research led by Markets and Research, the United States is the main market for microwavable items (Research and Markets, 2012). This is because Americans are substantially less liable to plan suppers that are tedious (Research and Markets, 2012). Scientists are, in any case, starting to see that young users conceived after 1995 are beginning to move far from “microwavable suppers” towards arranged and solidified options (Willems, 2015). This push by more youthful consumers or suppers that contain more sound fixings and less sodium may start to bring about a moderating of the development of microwavable dinners. Two of the low-calorie microwavable food industry pioneers, Lean Cuisine, and Healthy Choice, are working to make the advertisements according to the demand and interests of the purchasers. Settle Lean Cuisine has seen decreases in deals because purchasers feel that the suppers offered by the organization contain undesirable added substances and sentiments that the sustenance is counterfeit (Boyle, 2014).

Solid Choice, a ConAgra Foods mark, has additionally observed a diminishing in deals regarding food products (Gasparro, 2014). In the course of recent years, Lean Cuisine has lost very nearly a fourth of the organization’s deals while Healthy Choice has suspended a few of the organization’s already-offered items in conjunction with the adjustment in customer requests (Gasparro, 2014). Both industry pioneers are attempting to stress the “freshness” of their frozen food items and are attempting to diminish any added substances. By creating low-calorie dinners that can be used with the addition of green ingredients or inside a crisp tortilla as a wrap, Lean Cuisine is endeavoring to gain back pieces of the pie inside the business (Boyle, 2014). Due to the industry, pioneers must make moves to engage customers while working towards the organization’s new objective. These means may incorporate offering rebates or asking for the customers’ suppositions on new items the organization might be creating. With the change to an authorized advertisement, there are few organizations that must screen contenders in light of creation, cost and the presentation of new items. On the off chance that organizations don’t proceed to advance and address the issues of purchases in front of contenders, at that point, past industry pioneers will see lost deals to organizations that are taking care of customer requests.

Long-Run and Short-run Cost Functions

Inside the analysis of short-run cost function, a monopolistic rivalry industry would see costs that are more noteworthy than the minor cost of an item; this commonly does not create benefits in the short

run. Among extra rivalry, the industry will see an increase in the contribution that may cause the balance cost to reduce. In competition with a monopoly, the companies should advertise the free section and get into the market and also change their cost of products and interests for brands that are more settled inside the business (McGuigan, Moyer, and Harris, 2013). Inside long-run cost work examination, peripheral income is equivalent to negligible expenses. Together, for an organization to be gainful, normal aggregate costs and variable expenses must be achieved in the long running altogether for the organization to continue with functions.

$$TC = 160,000,000 + 100Q + 0.0063212Q^2$$

$$VC = 100Q + 0.0063212Q^2$$

$$MC = 100 + 0.0126424Q$$

Dividing TC by Q, we get ATC

$$ATC = 160,000,000/Q + 100 + 0.0063212Q$$

Equating ATC and MC

$$160,000,000/Q + 100 + 0.0063212Q = 100 + 0.0126424Q$$

$$160,000,000 = 0.0063212Q^2$$

$$Q = 159096 \text{ units}$$

Determining ATC

$$ATC = 160,000,000/159096 + 100 + 0.0126424(159096)$$

$$ATC = 3117.03$$

Determining AVC now,

$$AVC = 100 + 0.0063212Q$$

$$AVC = 100 + 0.0063212(159096)$$

$$AVC = 1005.68$$

Discontinuation of Operations

In the circumstance that a portion of a company becomes non-profitable, the company may choose to discontinue operations. According to the CEO of Nestle, Paul Bulcke, the company will not tolerate poor performers within the company; because of this, Nestle sold most of the Jenny Craig diet centers

and PowerBar energy snacks (Boyle, 2014). If Lean Cuisine continues to lose sales and begins to lose profits, that company may choose to discontinue operations of the Lean Cuisine portion of Nestle. It is critical that companies continue to monitor competitors' prices and products in addition to innovating the products offered. Companies must also have plans in place to ensure supply continues to be available if a primary supplier is no longer in business. Planning for all possible contributors that would lead to the need to discontinue operations is the primary way to minimize the requirement of those discontinued operations.

Pricing Policy to Maximize Profits

For the increase in profit, companies tend to analyze their marginal cost. This marginal cost analysis is characterized as "the act of setting the cost of an item to measure up to the additional cost of delivering an additional unit of yield" (Britannica, n.d.). This estimating methodology is normally used by organizations amid deals declination (Britannica, n.d.). For the upkeep of the productivity of the enterprise, the cost must be more conspicuous than the typical total cost and avoid an increase in the cost outcome. The association's cost should deal with the typical cost in the midst of the short run and the average total cost in the midst of the long run.

$$P = (38650/42) - Q/42$$

$$\text{Total Revenue: } TR = (P \times Q) = (38650Q/42) - Q^2/42$$

$$\text{Marginal Revenue: } MR = (dTR/dQ) = (38650/42) - Q/21$$

To maximize the profit, $MR = MC$.

$$38650/42 - Q/21 = 100 + 0.0126424Q$$

$$Q = 13611.3$$

As,

$$P = (38650/42) - Q/42$$

$$P = 596.16$$

Because the low-calorie frozen, microwavable food demand is inelastic, the quantity decreases with the increase in prices.

Financial Performance Plan

For an organization to be a part of an industry with a monopoly, the high advantages faced by the

company may empower new associations to get into the market. Together, for the association to retain its position in the monopolistic competitors, asset publication must be ensured. Despite the way that such endeavors may diminish at first the profits of the company, there is a possibility that other competitors may enter the same market having more advanced ideas and creative thoughts such that it might change the perception of the previously existing companies. From this time forward, the market's yield will increase, and grandstand expenses will decrease. This will make it troublesome for a firm to hold high advantages as time goes on. In the short run, the profitability of the company may rely upon the advertisements. This can change the variable commitments to construct a bit of the general business and advantage (Scholatiuous, 2011). Moreover, the concentrated companies influence the market that resembles a forcing plan of action; variable conditions of profits may achieve the total loss of purchase.

$$\text{Producer surplus} = \text{TR} - \text{TVC}$$

$$= (38650Q/42) - Q^2/42 - 100Q - 0.0063212Q^2$$

$$= 5582263.3$$

The figure is positive, which means the firm should continue production. However, the profit is given as:

$$\text{Profit} = \text{Producer surplus} - \text{fixed cost}$$

$$\text{Profit} = 5582263.3 - 160000000$$

$$= -154417736.7$$

Altogether, for monopolistic companies to improve their profits with time, in a competitive, monopolistic market, the demand curve of the company will shift such that the average total cost curve is tangent to that. This will make it hard to make an advantage and break even. Exactly when the market costs outperform ordinary costs, there will be benefits. In case we see that the cost is not as much as the ordinary cost. Thus, the firm finishes the deal, works at an incident, and may then be able to compete in the market.

Recommended Actions and Plan

Considering the target to build productivity the organization must guarantee that items are taking care of the requests of the customers. The move-in requests towards more normal and new items must be mulled over while assessing current items, growing new items, and showcasing plans. While growing new promoting plans requires subsidizing, with a specific end goal to expand gain and advise buyers of what the organization brings to the table the organization must market the data straightforwardly to customers. Development must come by staying aware of purchaser requests.

Maybe the organization may need to put financing into statistical surveying to discover what purchasers need inside solidified low-calorie dinners. This will enable the organization to keep up upper hand by satisfying the best customer requests. This may likewise require the organization to reconsider current items to expel things that are not delivering benefits or that don't fit inside the organization's new picture.

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