Strategy Management of Bega Cheese

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Introduction

The following paper is a strategy management paper for Bega Cheese Limited, an Australian-based company specializing in the handling of dairy products, primarily cheese and cheese products. The strategy management analysis focuses on evaluating the mission, values, and mission statements of the company and their appropriateness in supporting the company to achieve its primary goals as well as objectives. In addition, this analysis will also review the SWOT and PESTEL analyses of the company, with a critical review of the company's strategic objectives (De Mooji, 2013). As such, the establishments reached in this analysis would be instrumental in enabling the concerned organization to improve its strategic positioning in order to be in a position to take advantage of emerging market opportunities, subsequently facilitating market growth and development of the company not only within its domestic market settings but also within its international markets.

Background of the Company and Industry

Bega Cheese Limited is an Australian cheese manufacturer engaged in the receiving, processing, manufacturing, as well as distribution of dairy products and other associated line products, primarily within the larger Australian market. In essence, the company operates two distinct business divisions, including Bega Cheese and Tatura Milk, in which case, the Bega Cheese business division is responsible for manufacturing natural cheese, processing cheese, butter, and powders, in addition to packaging other cheese products (Curtis, Abratt & Minor, 2009). Aside from the Australian market, the company also supplies its products to over 40 international markets across the world including the Middle East, Pacific Islands, Central and South America, as well as North Asia.

Bega Cheese presents a formidable cheese brand to the Australian cheese markets as well as the international markets where its products are present. In fact, it is considered the second largest cheese manufacturer in the Australian market after the Lion Nathan National Foods Cheese products. Furthermore, it is worth noting that Bega Cheese trades as a Public Limited Company (PLC) listed on the Australian Stock Exchange (ASX) under the ticker symbol BGA. Its industry category is Dairy Products and Food Processing (Baumgarth, Kaluza & Lohrisch, 2016). The company was founded in 1899, and it's headquartered in Bega, New South Wales (NSW). Bega Cheese was founded as an agricultural cooperative that was wholly owned by its dairy suppliers before it became a PLC in 2011. However, Bega's farmer suppliers are still the majority shareholders in the company, with ownership of more than half of its shareholding. Nonetheless, the company stands out as one of the largest dairy companies in the local Australian market, with a market valuation of about AUD 775 million as of

January 2017.

Nearly half of the company's revenue registered during the 2016 fiscal year was attributable to its retail cheese products as well as processed cheese products, all of which were distributed across the market using the 'Bega' brand across the Australian market. The company has also entered into trade partnerships with other industry players such as Fonterra, Tatura, Royal Victoria, and Dairymont, among many others, to facilitate the distribution and exportation of its cheese products across 40 international markets across the globe (Nolan, 2017). In Australia, Bega Cheese products are available in most leading supermarkets and general stores across the country. In this regard, Bega Cheese not only derives its market control from its extensive prevalence across the local and international markets, but also from its wide range of brand portfolio.

Bega Cheese has a strong brand portfolio that enables it to consolidate its market position both locally as well as internationally. In essence, the concept of a brand portfolio refers to the wide range of different products and services that are sold by the same company but under a single brand. The benefits of a brand portfolio are the fact that the products under each brand support one another in marketing and achieving high sales margins, especially in cases involving stiff market competition. For instance, Bega Cheese is renowned for its cheese and cheese products. However, it also sells other products under the same brand name. Therefore, the successes registered by the company in its cheese line of products would be instrumental in promoting the increase in sales and consolidation in the market strongholds of its other line of products, including milk and bio-nutrients (Laforet, 2012). As a result, the company is in a position to command strong market control, as well as effectively win the hearts of its consumers who can acquire all their dairy products from one trusted brand.

Bega Cheese operates six dairy manufacturing plants across the New South Wales State as well as the state of Victoria, whereby it manufactures about 238,000 tonnes of dairy products on an annual basis. Furthermore, the company is also best known for manufacturing business-to-business (B2B) dairy products as well as consumer-branded dairy products. However, in the spirit of expanding its business operations, the company recently snapped Mondelez International's Australian grocery as well as the cheese businesses (De Chernatony, 2010). In addition, the company also snapped the Vegemite line of business at a whooping AUD 460 million cost, approximated at USD 348.2 million, in a deal finalized and closed in June 30th, 2017.

Statements of the Company

Bega Cheese does not have clearly defined mission, vision, and value statements, probably because it recently transformed into a PLC in 2011. As such, regardless of its existence as a cooperative society for a period of more than a century, a period of 119 years from 1899 to 2018, the company has existent as a public limited company for a period of only 7 years. Nonetheless, it operates upon the principles of a cooperative society whereby the members contribute to the company and support it in achieving its goals and objectives, in addition to drawing some benefits from the mutually beneficial symbiotic union (Scott, 2000). It is no wonder a majority of the shareholding of the company still remains in the hands of the famer suppliers, who are the key to the significant growth and success reported by the company over the decades. As such, these help in guiding the company to successive growth and expansion now that it has grown to become the second-largest dairy products company in the country.

SWOT Analysis of Bega Cheese

A SWOT analysis reviews the internal business environment of the company to establish how the company is positioned in such a way that it can take advantage of what its business environment provides to become a market leader within its industrial sector.

1. Strengths

Bega Cheese has been in existence for over a century, operating for a decade. As such, this experience alone gives it significant market knowledge and experience regarding the dynamics of Australian dairy products, in addition to its primary line of cheese and cheese products. Therefore, this knowledge, experience, as well as deep market understanding gives it a vantage position over its competitors in the local and international cheese market (Worthington, Russell-Bennett & Härtel, 2010). Other strengths of the company include successful track records in the development of new products, lucrative returns on capital expenditure, a strong distribution network, a highly skilled workforce, a strong brand portfolio, as well as the automation of its operations and activities.

1. Weaknesses

The company needs to improve on its weaknesses as these make it risk its market strongholds, as well as lose ground to its competitors. Some of the company's main weaknesses include low-profit ratios, which are way below the benchmarks established for the dairy products industry, a high day inventory compared to its competitors, as well as poor integration of firms with different work cultures (Baumgarth, Kaluza & Lohrisch, 2016). The company is also very poor at marketing its products and services, in the sense that it lacks a clearly defined product positioning as well as a Unique Selling Proposition (USP) that differentiates it from other industry operators, which in turn makes it vulnerable to its competitors. The company also lacks appropriate product forecasting, and this has made it lose out on a number of opportunities because of delayed launch dates.

1. Opportunities

Opportunities are new developments within the business market that the company needs to capitalize on and take advantage of in order to achieve maximum returns. The dairy market presents Bega Cheese with many opportunities, including introducing a new taxation policy that would facilitate profit increment, an economic uptick triggering an increase in customer spending, and subsequently increased sales volumes, decreasing costs of transportation due to reduced shipping prices, and introduction of new environmental policies (Curtis, Abratt & Minor, 2009). The policies create a level playing field for all industry practitioners, giving each an opportunity to exploit their individual markets to the fullest. Other opportunities that Bega Cheese can take advantage of within its business environment include new customers from its online change, new technologies in the handling and processing of its dairy products, the government's green drive, as well as market development.

1. ### Threats

Threats are external market developments that affect the operations of the business. As such, since the company has little control over their occurrence and prevalence, it should work towards either mitigating the impact of these threats should they occur or avoiding them altogether. In this case, some of the threats that Bega Cheese is facing include the seasonal nature of the demand for highly profitable products, no regular supply of innovative products, and the growing strengths of the local distributors (De Chernatony, 2010). New environmental regulations, as well as litigations filed against the company. Furthermore, the rising cost of raw materials is eating into the profit margins of the company, not to mention the foreign exchange risks associated with the company's operations across various international markets.

PESTEL Analysis of Bega Cheese

The PESTEL analysis reviews the external business environment of the company to evaluate the impact of these external environment factors on the operations of the company. In most cases, the company has little or no control over these external environment factors and, as such, usually strives to position itself strategically in such a way that it can take advantage of the positive provisions of the external environment whilst eradicating or shielding itself from any negative provisions of its external environment (De Mooij, 2013). The following is an analysis of the PESTEL environmental factors of Bega Cheese and how the company responds to each factor.

Political factors

The Australian government provides Bega Cheese with a stable political environment to undertake its business activities, especially through the policies and regulations imposed on the industry players for the Food, Beverage & Tobacco business sectors. As such, some of the political provisions that the company needs to consider when making its business decisions include mandatory employee benefits, wage legislations such as minimum wage and overtime, tax rates and tax incentives, pricing legislations, anti-trust laws related to the industry, and the legal framework for contract enforcement (Laforet, 2015). Other political issues that the company has to review include the risks of military invasion within its local and international markets, bureaucracies and government interferences in the industry, intellectual property protection, industry safety regulations as well as favored trading partners.

Economic factors

Economic factors relate to those factors that control the capability of the consumers to purchase the products and services of the company, and continue doing so as they support the business throughout its existence. The Australian economy is well poised economically to support the company's operations, and that is why the company has been in existence for a period of more than 100 years, as there were consumers capable of purchasing and consuming their products. Aside from the ability of the customers to afford and to continue supporting the company through purchasing their products, the economic analysis of the company should also focus on the key econometric factors that control or affect business activities and developments within its markets, especially its domestic Australian market, as well as other international markets where it operates (Nolan, 2017). These economic factors include market growth rate, interest rate, inflation rate, labor costs, unemployment rates, as well as industry specific economic indicators, among many others.

Social factors

These are the factors arising from the cultural practices and social backgrounds of the consumers within the primary markets where the company operates. As such, the cultures and practices of these communities go a long way in determining the degree of consumption of the products and services that they consume. For instance, if the food culture of the surrounding communities requires cheese and cheese products in preparing their meals and cuisines, then the community would be an avid and loyal consumer of the products from Bega Cheese (Scott, 2000). Nonetheless, the evaluation of the company's social factors that may have a significant impact on its practices and performance entails the demographics of the population, the level of skills that the surrounding population has, the class culture in terms of hierarchy and power, the education levels, religious and cultural practices such as gender roles and social conventions, as well as attitudes of consumers towards their products and leisure interests, among many others.

Technological factors

These factors are in relation to the fast technological advancement reported in the modern world, whereby the adoption of modern technology and practices goes a long way in determining the degree of quality as well as efficiency and consistency that the company will maintain in the production and distribution of its goods and services. Bega Cheese is on the frontline of acquiring the best technology in the market, as shown among one of its many strengths, and this has enabled the company to stay ahead of its peers in the dairy products markets, becoming among the leading market players within the local Australian market (Worthington, Russell-Bennett & Härtel, 2010). In this case, a review of the technological impact on the practices and activities of Bega Cheese is largely in relation to the impact of technology on product offering, recent technological developments undertaken by the company's core competitors, as well as the rate at which technology diffuses in the market and industry at large.

Environmental factors

The modern-day consumer demands that every activity undertaken by the company should adhere to the environmental principles stipulated within their specific markets of operations. This is informed by the fact that the environment supports businesses in undertaking their activities and operations. Therefore, in the absence of the environment, the company would not have anywhere to operate (Baumgarth, Kaluza & Lohrisch, 2016). As such, the company stakeholders, especially the communities, government, and consumers, demand that the company adhere to safe environmental practices and refrain from environmental pollution and degradation. Furthermore, being in the agricultural sector, Bega Cheese depends heavily on the environment to procure its products, and as such, should be at the forefront of protecting the environment so that it can continue supporting its business operations. In this case, the focus of the environmental analysis with regard to its impact on Bega Cheese entails the weather, climatic changes, laws regulating environmental pollution, air and water pollution regulations affecting the Food, Beverage, and Tobacco industry, recycling, waste management as well as the attitudes towards and support of renewable energies.

Legal factors

These relate to the legal framework as well as applicable institutions in which the company operates. As such, the company should ensure that in whichever markets it operates, it must be according to the provided laws and practices. Furthermore, there is also a need to ensure that the legal framework admissible in the market is one that favors the company in terms of operations, such as protecting its intellectual property rights (Curtis, Abratt & Minor, 2009). In this regard, some of the primary concerns that the company should address when evaluating its legal and environmental factors include the anti-trust laws applicable within its industry, discrimination laws, discrimination laws, copyrights and patents, intellectual property law, employment law, health and safety law, as well as consumer protection laws and e-commerce.

Strategic Objectives of Bega Cheese

The primary strategic objective of the company entails becoming the market leader within the local Australian market as well as the other international markets where it operates. To this end, the company has made significant strides, especially in terms of market expansion and penetration, as well as the development of a wide range of product portfolio (De Chernatony, 2010). This has been particularly instrumental in enabling it to penetrate new markets both locally as well as internationally, in addition to the maximization of its sales volumes and profitability. This is largely related to the fact that the more markets the company reaches out to, the more sales it makes and, consequently, the more returns on investments it registers.

Judging from this perspective, I would support the claim that the strategic objective adopted by Bega Cheese is very appropriate and in fact, most preferred in the achievement and fulfillment of its goals and objectives. This is especially true considering the fact that the company has been in operation for a period of more than a decade, and during this period, it has been successful in consolidating its primary markets (De Chernatony, 2010). Furthermore, the adoption of a wide range of product portfolios is another additional practice that is effective in consolidating the market strongholds of the company, in addition to providing it with a competitive advantage over other industry players in the markets.

Appropriate Generic Strategies for Bega Cheese

There are five generic competitive strategies that a company can choose from when approaching its markets in order to become a market leader. The five strategies that the company can adopt to become a market leader are outlined in Figure 1 below. In this case, the strategy that appears most effective for Bega Cheese is the best cost provider (Laforet, 2017). This is especially true considering the fact that Bega Cheese's main line of product offering is its exquisite cheese and cheese products. As such, by being the best cost provider, the company is in a position to secure a competitive advantage over other industry operators within its markets, as it will attract and retain loyal consumers of its brand and products. Furthermore, being the best cost provider will also make it appealing among its targeted consumers, more especially the new consumers.

As a best-cost provider, Bega Cheese would be required to give its clients and consumers a higher value for the money that they spend on the company's products and services, a strategy achieved through offering the consumers products and services that have a superior offering in terms of value and quality and offered to clients at a lower price compared to those offered by its competitors. In this case, Bega Cheese applied this generic competitive strategy by ensuring the provision of high-quality cheese and cheese products to its targeted markets whilst ensuring that its products in the market are not the most costly (De Mooij, 2013). In fact, a quick analysis of the product prices of cheese and other cheese products in a retail store or outlet in Australia would reveal that Bega Cheese has the best market prices for its products. This, coupled with the high quality of its products, gives Bega Cheese a competitive edge over other industry players.

Components of Strategy Execution

In order to execute a selected business strategy effectively, it is advisable to take into consideration the components that facilitate the implementation of these strategies both internally as well as externally. Some of the primacy concerns that arise include the impact of the organizational structure on the generic strategy execution, as well as the impact of corporate culture. This is especially true considering the fact that the structuring of an organization is instrumental in determining how the company carries itself around, its processes, and its activities (Laforet, 2015). As such, these would either support or prevent the company from executing effectively its choice of generic strategy. Similarly, the corporate culture also works in such a way that it may or may not support the implementation of the selected generic competitive strategy.

Bega Cheese has the best organizational culture as well as a corporate culture that is effective in supporting its implementation of the best cost-provider generic competitive strategy. This is especially considering the fact that the company is mainly composed of farmer suppliers as the major stakeholders, having risen from its operations as a farmers' cooperative society (Nolan, 2017). In this regard, the company has a culture that promotes cooperation and pulling together resources in such a way that the final product offering will be low cost. Furthermore, the company's adoption of the latest technologies, as well as its investment in the best and most qualified group of employees, enables it to produce high-quality products that offer its customers value for money.

Conclusion and Recommendations

In conclusion, it is evident that the company has a formidable strategic plan that is instrumental in enabling it to maintain significant market control, consolidate its market forces, as well as promote its success in growth and development. The reason for this assertion is that Bega Cheese has managed to become a household name in the production of cheese and cheese products within its local Australian markets, and it is also on the right path to winning control of its foreign markets. Conversely, it is appropriate to note that the application of the best cost provider generic strategy is the most effective approach that the company can adopt towards becoming a market leader, in addition to protecting its markets from competitors. In fact, this will not only attract and retain new customers but also the old customers will remain loyal consumers of its products as well as the brand.

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