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10/08/2013

A1 Steak Sauce Case Study

Problem

Should A1 respond to Lawry's launch of a new steak sauce, if so, how should they respond?

Key Facts

- Leader in dollar share and lbs volume in steak sauce
- Steak sauce customers are loyal and competition has been limited
- 10% of revenue is spent on in store promos
  - standard practice for steak sauce companies to cover in-store price reductions
- 15% of operating revenue is spent on advertising
- Unilever (Lawry's) is Krafts (A1) largest competitor
- Lawry's would cost $1 less and have 1oz more
- spend $20 million on advertising (mostly May, June, July)
- Lawry's could potentially take 10% of the market share
- Publix Grocery store is putting Lawry's steak sauce at the front of the store during Memorial day weekend
  - 10% of A1's annual sales is during Memorial day weekend

Alternative responses for A1

1. 2 for $4 deal; but that would cost the company way too much money because they would have to pick up the difference
2. Quickly create a line extension of A1

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3. Reduce the price through promotions or price roll-back
4. Spend more on existing advertising campaigns

I believe A1 should put more money into advertising campaigns, especially leading up to memorial day. The idea of doing a 2/$4 is too costly for the company. It would be hard to reach their target profits if they were to do that. They would have to pay the grocery stores $6 in difference for every two bottles sold. It would be too short of time to develop a line extension and it doesn't seem to be necessary either. Brand loyalty is very high in this industry so if they can continually pump their name out there in advertising campaigns, it should make up for their large advertising campaigns. Customers don't mind paying the extra dollar for A1 because it is the brand they have trusted for over 100 years.