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S U M M A R Y

The purpose of this thesis is to trace and evaluate the marketing policies pursued by the leading companies in one of Britain's major consumer good industries, namely the baby food industry. The industry sprang up in the post war period in response to the needs of young mothers who decided to continue work either to supplement the family income or in preference to spending all day in the home. The marketing managers in the companies studied have had to overcome problems relating to the anxiety of mothers in providing ready packed rather than home made food for their babies. This factor had far reaching implications for most aspects of marketing policy including packaging, pricing, advertising and the use of alternative distribution channels. The thesis is, therefore, more than a detailed market analysis. It is concerned with the behavioural factors governing the demand for baby foods, and the variation of these factors in different segments of the market. It also shows the ways in which different marketing policies can be equally successful in the face of complex demand conditions.

There has been no previous major analysis of the baby food industry or the market it serves. There is, however, a good deal of statistical information published by the Government which throws considerable light on the problems reviewed in this thesis. In particular the growth of the industry can be traced in detail from National Food Surveys which also shows the patterns of consumption in different segments of the market. This information is supplemented by data available in National Income Blue Books.

It is impossible to get a clear view of the nature of companies' marketing policies from secondary sources. Hence a series of interviews with the marketing executives of the main companies in the industry has been held in order to discuss company policy and to review its success. Fortunately

the industry is organised in an oligopolistic structure, and it has, therefore, been possible to cover most of the industry in this way.

There is evidence that the industry is currently facing a serious decline. The thesis examines for reasons for this and the ways it will influence the marketing policies of the companies concerned.

Chapter 1

Introduction

Purpose and Objections

This thesis attempts to trace the growth of the baby food industry in the United Kingdom and to analyse the factors likely to affect the future course of sales and prosperity of the industry. The baby food industry is largely a post second world war industry and has sprung up in response to the growth of the infant population and the position of their mothers in a rapidly changing economic and social climate. There have been, of course, periods in the past when the population has grown rapidly without any consequent rise of a baby food industry; but the last thirty years have been unique in terms of the great rise in personal disposable income and the rise in popularity of convenience foods to suit the needs of working housewives. The growth in the wealth of the nation has meant that mothers can devote attention to the special dietary needs of their children and commercial organisations have responded to the new demands in the form of specially prepared and packaged foodstuffs. There is no simple relationship, however, between the growth in incomes and the rise in popularity of prepacked baby foods. There is some evidence, as will be shown in later chapters, that high income mothers may prefer to prepare their own baby foods especially if they are unconstrained by time factors. There are significant differences in the habits of working and non working wives in all income groups, and this above all affects the position of the industry under consideration.

The thesis is not therefore limited in scope to the analyse of the changing fortunes of one particular industry. In broader terms it is concerned with throwing light on changes in the feeding habits of various sections of the population consequent to the changing circumstances of young housewives. The thesis is also centrally concerned with analysing the marketing methods of the leading supplying companies in the face of their changing fortunes and with the validity of alternative marketing strategies which particular companies have adopted. Particularly significant in this respect is the

method of segmentation adopted which throws interesting light on the social habits of the various social and income changes of housewives. The thesis also considers the efficacy of the various means of promoting the sale of baby foods, in particular the role of pricing and advertising in the promotional mix. Companies in this industry are not solely guided by commercial criteria; ethical considerations are important and an attempt is made to show the importance attached to the high standards adopted by the 'influencers' of the demand for baby foods, particularly doctors and the personnel of clinics. Finally the search for new markets abroad in an attempt to achieve a measure of geographical diversifications is traced and the prospects for a sizeable export trade is considered. Although the thesis is a detailed case study of one particular industry, the implications of the studies stretch beyond the baby food industry. In short, it sets out to illustrate how skillful marketing can promote the rapid growth of an industry when its products are supplying a real need of consumers in society, and how it can alternate and partly arrest a decline in sales in the face of adverse changes in the market.

Sources and methods

There is a great paucity of published surveys on the baby food industry of the United Kingdom. Most references in the thesis to secondary texts relate to general marketing or sociological texts relevant to the points at issue in the analysis. However, a great deal of information can be gained from the published statistical information emanating from governmental sources. Of great importance is the Annual Abstract of Statistics and the National Food Surveys. The latter exposes the levels of consumption per head of baby foods over a period of years and has enabled the thesis to trace trends over a decade or more. The figures are in such detail that it is possible to distinguish between the consumption of those baby foods sold in cans and bottles and those not so sold. The Annual Abstract is useful in describing the changing size and age structure of the population over a period of time. The actual size of the population itself is not

significant without examining its relationship to the income of the community, and the information available in the government statistics of the National Income and Expenditure is analysed to estimate changes in the income elasticity of demand. The National Food Surveys also contain vital information relating to the changing prices of both general foodstuffs and baby foods. More detailed information relating to the baby food industry is available in publications relating to the food industry. For example, Supermarketing publishes from time to time a breakdown of the total market shares by the leading brand names and similar information has been published by the Economist Intelligence Unit. Again Retail Business shows the aggregate industry advertising expenditures and its breakdown according to different media and more detailed breakdowns are published in the specialised press such as Mother and Mothercraft. Finally the overseas trade statistics for baby foods are available in great detail in the Annual Statement of Trade of the UK. This publication enables an analysis to be undertaken of the trade performance of different types of baby food and of the relative importance of the markets of all the countries of the world.

While published data will provide answers to some of the basic questions examined in this thesis they do not reveal the whole story. Any attempt to base the thesis entirely on secondary sources would therefore tend to be superficial. Published data do not tell us, for instance, about the details of the marketing policies adopted by individual companies or the reasoning that lies behind any particular marketing campaign. The only way to obtain an insight into these significant matters is to get into the companies concerned and to examine the views of the persons responsible for formulating and evaluating marketing policies. Fortunately the industry as a whole has an oligopolistic structure so that the number of firms to be approached is relatively small. Accordingly the field work stage of the thesis, following the analysis of the secondary data, consists of interviews with senior marketing executives in Heinz.

In each interview the marketing manager was invited to give a detailed account of marketing policies and methods adopted by his particular companies. Although the interviews were largely unstructured to give each manager an opportunity to expound at length, the researcher ensured that detailed information was forthcoming on the reasoning used to justify the following (a) the size of the advertising budget and the theme adopted in the advertising campaign (b) the reasons why particular channels of distribution are adopted and why particular channels prove to be more effective than others (c) the role of pricing and packaging in securing an effective marketing operation. Some of the most significant results emerging from this analysis concerns the comparisons that can be made in the marketing methods and promotional mix adopted by different companies in this industry. No previous information was available in published form and this part of the thesis is therefore highly original in content.

It might be objected that large companies would not be willing to reveal the secrets of their strategy to an outside researcher and that the information obtained might contain a substantial element of bias. In practice, however, the researcher found the managers of the companies willing to discuss the details of their policies with frankness. The managers were prepared to discuss the failures and shortcomings of their policies as well as the successes. There is little doubt that the picture that emerges is a true reflection of the struggle that has been going on in the main companies first to expand and then to survive. The methodology adopted, therefore has enabled the major questions posed in the thesis to be answered with a considerable degree of confidence.

CHAPTER 2

SALES GROWTH AND MARKET SIZE

In this chapter we will first examine the growth of the industry and the market size over the period 1966-1974. This analysis will help us to form an idea of how the sales have been developed over the period 1966-1974 and what is the expected sales growth for the period 1974-1985. We will also examine the market size over the period 1966-1974 and we will attempt to project the market size for the period 1974-1985.

a) Growth

In this sub-chapter we have first to identify the variables which affect the growth of total output, then we should see how far these variables are correlated with an estimate how they affect the growth. We also have to measure the actual growth of sales over the years 1966-1974 as there is no available data beyond the year 1974.

The variables which most affect the growth are the market size, income of the baby's parents, occupation of the baby's mother and the Marketing effort of the firms involved.

The first two variables have a direct effect on the growth. As the baby population increases and the baby's parents' income rises, the other two variables remain constant, therefore one expects growth of sales and vice-versa. The other two variables have an indirect effect on the growth, the more involved the mother is with her job the greater her need for ready baby food and again the more effectively the Marketing effort is being carried out, the bigger the stimulating effect on the demand will be. At the present we will be examining the correlation of those variables and we will also measure the possible effect on each one on the growth. We will not tackle the problem of projected growth as we will examine it thoroughly in a later sub-chapter. The growth of the baby food industry will be measured in volume as well as in money terms. To measure the growth we use the data collected by the National Food Survey which has collected separate figures for the baby foods since 1966.

The National Food Survey includes two categories

a) the infant foods in the cereals sector which also includes baby rusks and rusks and b) bottled baby foods miscellaneous.

Previous to 1966, a category labelled invalid and infant foods appeared in the miscellaneous sector, but this is not comparable with the present categories.

Growth of Sales in Volume terms ('000 tons)

	<u>Not canned or bottled (cereal infant food)</u>	<u>Canned, bottled</u>	<u>Total</u>
1966	12.75	54.90	67.65
1967	13.62	56.10	69.70
1968	11.27	60.38	71.65
1969	12.12	63.22	75.35
1970	11.34	66.46	77.80
1971	8.95	53.65	62.60
1972	9.00	56.30	65.30
1973	8.18	54.80	63.00
1974	8.20	57.30	65.50

To find the above figures we multiplied the consumption per person, per week from the table below times 52 to bring the data on an annual basis and then each figure was multiplied by the corresponding population so that one has the total consumption in volume terms in ounces and finally each new figure was divided by 16 and multiplied by 0.45 to obtain the annual domestic consumption in tons.

Av. Consumption per person per week in ounces

	<u>Not canned or bottled (cereal infant food)</u>	<u>Canned, bottled</u>	<u>Total Population in Mn</u>
1966	0.16	0.69	54.8
1967	0.17	0.70	55.049
1968	0.14	0.75	55.263
1969	0.15	0.78	55.421
1970	0.14	0.82	55.610
1971	0.11	0.66	55.773
1972	0.11	0.69	55.933
1973	0.10	0.67	55.968
1974	0.10	0.70	

Source: National food survey
Annual

Source: Annual
abstracts of
statistics

Growth of sales in value terms (£Mn)

	<u>Not canned or bottled (cereal infant food)</u>	<u>Canned, bottled</u>	<u>Total</u>
1966	5.	15.	20.0
1967	5.4	15.5	21.0
1968	5.2	16.0	21.2
1969	6.0	17.0	23.0
1970	5.5	19.5	25.0
1971	5.5	16.2	21.7
1972	5.5	17.7	23.2
1973	5.5	19.5	25.0
1974	6.4	23.3	29.7

To find the above figures we multiplied by 52 the average expenditure, in new pence, per person, per week from the data below and then multiplied each figure with the corresponding population and each of the new figures we divided over 100 to have the growth in pound basis.

	<u>Not canned or bottled</u>	<u>Canred, bottled</u>
1966	0.18	0.56
1967	0.19	0.55
1968	0.18	0.59
1969	0.21	0.62
1970	0.19	0.68
1971	0.19	0.56
1972	0.19	0.61
1973	0.19	0.67
1974	0.22	0.80

Source: National food survey
Annual

The above figures give the average expenditure of baby foods in new pence, per person, per week, in United Kingdom.

The growth of sales in value terms must be adjusted taking into account the inflation rate for each of the above years. From the data below we construct the price indexes taking as year base 1966 = 100

Average prices paid by households
for baby foods

	<u>Not canned or bottled</u>	<u>Canned, bottled</u>
1966	27.50	13.2
1967	18.50	12.6
1968	20.62	12.2
1969	21.87	12.8
1970	22.45	13.20
1971	26.79	13.64
1972	24.55	14.15
1973	30.57	15.95
1974	35.49	18.02

Source: National food survey Annual

By average price we mean the aggregate expenditure on an item in the survey classification of foods divided by the aggregate quantity of that item purchased by those households.

	<u>Price indexes</u>		
	<u>Not canned or bottled</u>	<u>Canned, bottled</u>	<u>Total</u>
1966	5.10	15.	20.10
1967	8.02	16.31	24.33
1968	7.00	17.34	24.34
1969	7.50	17.70	25.20
1970	6.70	19.51	26.21
1971	5.60	15.71	21.31
1972	6.20	16.58	22.78
1973	4.90	16.24	21.14
1974	4.95	17.24	22.19

From the above price indexes one can notice that the baby food prices have been increased by an average of 2% from 1966 to 1974. This conclusion will be meaningless unless we compare the prices with the price indexes of the whole food industry thus establishing inflation trends in specified areas and ultimately drawing the appropriate conclusions. To do so we take a sample of the most commonly consumed foods and through that sample we construct the price indexes.

The next step is to establish whether a correlation exists between the various variables and growth and if we come up with positive correlation then we should measure the effect of each variable on the growth of sales otherwise percentage changes of each variable what will be the expected percentage changes on growth. In all cases we will employ the Spearman's

$$R = 1 - \frac{6 d^2}{n(n-1)}$$

	<u>+Baby Population in Mn</u>	<u>* GNP in billions</u>	<u>° Adver. Expend. in '000 £</u>	<u>Growth in Mn</u>
1966	4.790	31.8	970.4	20.0
1967	4.791	33.5	884.9	21.0
1968	4.759	35.7	974.7	21.2
1969	4.696	39.8		23.0
1970	4.586	39.9		25.0
1971	4.503	43.9		21.7
1972	4.405	49.3		23.2
1973	4.295	55.0	1,417	25.0
1974	4.124	73.5	1,280	29.7

+ Source:

General Register office

* Source:

National income
and expenditure

° Source:

Retail business
November 1974/75

Note the increase in the Heinz budget 1973 - due to the promotion of Main Meals (£417,000 - down to £235,000 in 1974.)

a) correlation of baby population on growth

Rank x	Rank y	d (x-y)	d ²	
8	1	7	49	
9	2	7	49	$R = 1 - \frac{6 \times 216.50}{81 \times 8} = 1 - \frac{1299}{648}$
7	3	4	16	
6	5	1	1	$= 1 - 2 = -1$
5	7.5	2.5	6.25	
4	4	0	0	
3	6	1	1	
2	7.5	5.5	30.25	
1	9	8	64	
			$\sum d^2 = 216.50$	

However, using Spearman's formula, we fail to find any positive relationship. Actually we found a perfect negative relationship where we had a decrease in the market size and an increase in the growth of sales. The reason for this is that as the number of babies drop, then the manufacturers produce a range of new products in order to stimulate the market.

B) Working in the same manner we found $R = 0.97$ for the correlation income to growth and $R = 0.76$ for the advertising expenditure on the growth. Both these variables proved to have a very strong impact on the growth and it will be wise to measure the effect of each one on the growth, so that later on when we are dealing with the problem of the projected growth of sales we will be in a position to forecast the growth properly.

To give answers to the above question we use regression analysis and employ the method of least squares.

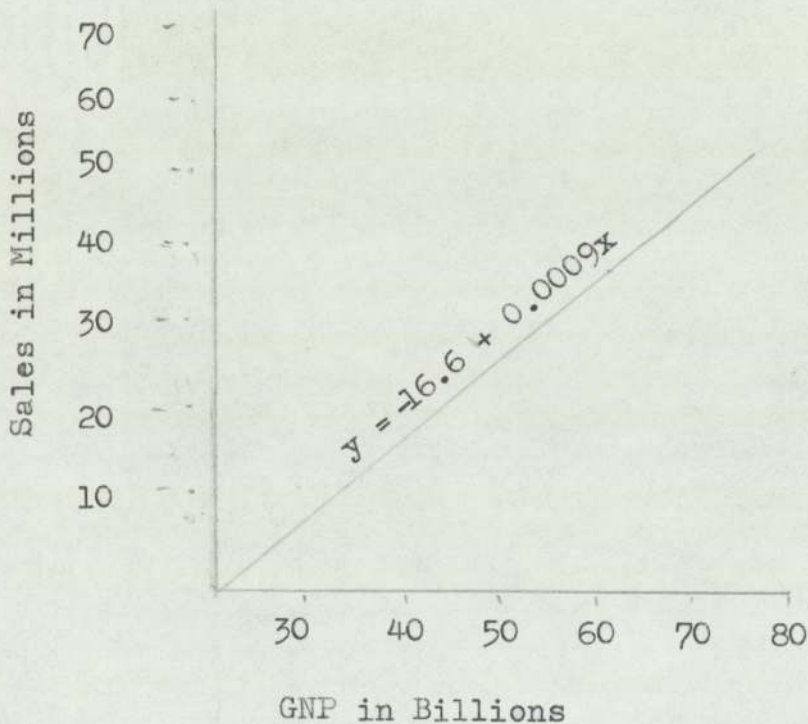
Therefore, y (growth) = $a + b x$ (variable)

where

$$a = \frac{\sum y - b \sum x}{n} \text{ and } b = \frac{\sum x y - \frac{\sum x \sum y}{n}}{\sum x^2 - \frac{(\sum x)^2}{n}}$$

After calculation we found 1) for the income on sales that

$$a = -16.6 \text{ Mn and } b = 90009$$



Therefore, according to what we found above one should expect an increase of £900,000 in the baby food sales when the GNP increases by £1,000,000,000. That may happen up to a point as the demand of baby foods (apart from the variables we mentioned above) depends upon the utility. Which means the increase in income will not be accompanied with increased demand of baby foods, unless the firms keep putting new products on the Market.

Conclusively the firms have to keep producing new products not only in the fact of a shrinking market size, but also to take advantage of increased per capital income situation.

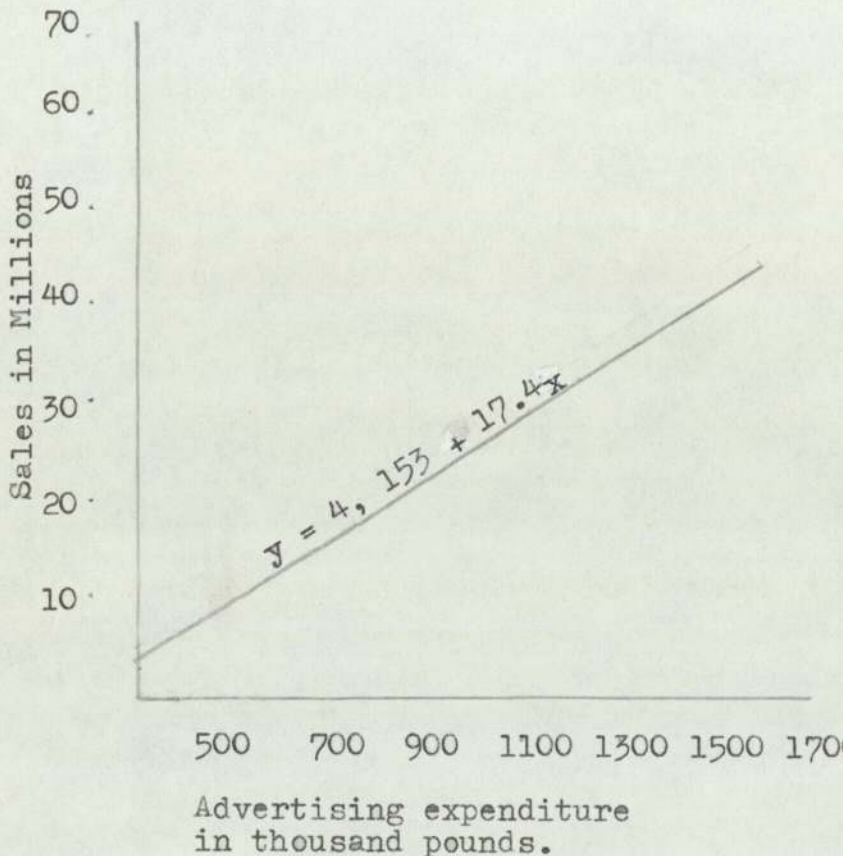
The fact we found $a = -16.6$ does not mean that when the $GNP = 0$ the firms will have 16.6 losses but extrapolation outside the extreme values is often quite meaningless or dangerous,

and 2) for the advertising on the growth after calculation we found

$$a = 4,153,000 \text{ and } b = 17.4.$$

Therefore, the baby food industry without carrying out any advertising they expect a turnover of about £4Mn and also spending £100 on advertising we expect turnover of £1,740.

So now we are in position to plot the line of best fit which helps us to estimate the sales response to any advertising expenditure. Therefore, to achieve £40Mn sales the whole industry should spend £1,850,000



on advertising but this most probably will not happen in practice as the function sales response to advertising is not always constant; it is greater during the growth stage of the PLC and smaller during the maturity stage and probably, most products of the baby's food industry are in that stage. Generally speaking no matter how much money the industry may spend on advertising, beyond a point the function-sales response to advertising will be zero as there are no more potential customers left.

As far as the particular firms are concerned the increased advertising budget may increase the sales as market share against the competitors but the competitors may follow up to maintain their market share.

Probably the strong firms may achieve their marketing goals in the long-run by eliminating the weak firms. At the present we have been talking about the function sales response to advertising in isolation from the other factors which equally affect the growth. If the market size income and mothers' occupation were within our expectation then increased advertising will obviously increase the total baby food demand and correlate the growth of sales. However, the situation in the babyfood industry is

rather bleak. The industry is faced with a declining market size, the current unemployment may put mothers out of work and they may find it more economical to cook for their babies. The particular firms are obviously aware of what is going on in the baby food market and that is why they put more and more sophisticated products on the market to stimulate the demand and most probably they support this with advertising the products which enjoy growth.

AVERAGE PRICES PAID BY HOUSEHOLDS

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Milk	3.7	3.8	4.0	4.25	4.51	5.29	5.49	5.64	6.18
Beef & Veal	20.83	27.6	22.25	32.6	33.8	38.2	42.8	55.80	57.8
Bacon uncooked	7.6	7.8	7.85	8.30	9.10	9.32	9.70	12.35	13.82
Eggs	1.7	1.6	1.7	1.8	1.83	2.02	1.8	2.65	3.14
Butter	17.5	17.3	16.9	17.0	17.56	23.78	25.75	21.20	22.14
Tea	30.75	30.8	30.5	30.8	32.41	34.37	34.48	35.53	38.97

Source:
National Food Survey

		<u>PRICE INDEXES</u>					<u>AVERAGE PRICE INDEXES</u>				
Milk	100	102.7	108	114	121	143	148	152	167	128.4	
Beef & Veal	100	132.5	107	157	162.5	184	205	268	277	197.5	
Bacon uncooked	100	102.5	103	109	119	122.5	127.5	162.5	182	125.3	
Eggs	100	99	96.5	107	107.5	117	107	155	185	119.3	
Butter	100	99.5	96.5	99	136.0	100.5	147	121	126.5	114	
Tea	100	100	100	100	105	111	112	115	127	107	

One can observe from the above table that the food prices have gone up by an average of 32% whereas the baby food prices, for the same period, have been increased by an average of 2%. That fact can be explained in two ways. First, as mothers are very sensitive about their shopping budget the manufacturers keep their prices down. Second, the manufacturers may follow "loss leader" price policy so that the mothers, apart from baby foods, may buy other foods equivalent to baby foods brand. This argument exists provided that the baby foods manufacturers produce other kinds of food apart from baby foods, this will be seen later on when we examine the baby foods in terms of the percentage of output of the firms involved.

Another area in which we should throw light is to see if there is any seasonality in the baby food industry. This is very important to know because in case of seasonality the whole industry as well as the particular firms will be faced with problems which the seasonal variations create, such as stocks, timing of the promotional campaign, price differential policy etc.

The answer will be given by employing the Moving Average Method

		4 point moving average	2 point moving average (trend)	Deseasonalized Data (<u>original data x 100</u>) trend	
	Q .48				
	1				
1966	Q .59	.56	.555	109	
	2				
	Q .60	.55	.540	103	
	3				
	Q .56				
	4	.53	.54	81	
	Q .44	.55	.545	95	
	1				
1967	Q .52	.54	.56	119	
	2				
	Q .67	.58	.60	93	
	3				
	Q .55				
	4				
		62		100	101.5
	Q .60	58	.60	113	98.0
	1		.58		
1968	Q .66	58	.575	90	103.0
	2				
	Q .52				
	3	57	.555	102	97.5
	Q .57				
	4				
		.54			
1969	Q .54		.585	92	
	1	.63			
	Q .55		.625	88	
	2	.62	.65	115	
	Q .75				
	3	.675	.68	95	
	Q .65				
	4	.68			
	Q .75		.675	111	
	1	.67			
	Q .58		.67	86	
1970	2	.67	.65	107	
	Q .70				
	3	.63	.63	104	
	Q .66				
	4	.63	.60	100	
	Q .60				
	1	.575			
	Q .57		.57	100	
1971	2	.56	.57	82	

Price Indexes

	Q .47				
	3	.58	.595	102	
	Q .61				
	4	.61			
	Q .66		.62	106	
	1	.63			
1972	Q .69		.62	111	
	2	.61	.615	89	
	Q .55		.62	.615	86
	3	.62	.615		
	Q .53		.61		
	4	.61			
	Q .72		.63	114	
	1	.645	.63		
	Q .63		.655	96	
1973	2	.665	.67	104	
	Q .70		.69	88	
	3	.675	.69		
	Q .61		.71		
	4	.71			
	Q .76		.745	102	
	1	.78			
	Q .78		.79	98	
1974	2	.80			
	Q .96	-	-	-	
	3				
	Q .70	-	-	-	
	4				

	Q 1	Q 2	Q 3	Q 4
1966	-	-	109	103
1967	81	95	119	93
1968	100	113	90	102
1969	92	88	115	95
1970	111	86	107	104
1971	100	100	82	102
1972	106	111	89	86
1973	114	96	104	88
1974	102	98	-	-
Unadjusted average	100.7	97.4	102	97 = 397.5
		98	103	97.5 = 400
adjusted average	101.5			

As we can notice from the above seasonal indexes, there is hardly any seasonal variation in the baby food industry and therefore the firms involved within the industry are not faced with the problems resulting from such variation e.g. excess stock, variable price policy, seasonal adv. etc.

b) Market size

In the present sub-chapter we will examine the market size of the baby food industry for the last ten years and we will also project the market size for the next ten years. This analysis is very important since the market size of the industry determines decisively the future of the baby food industry. The falling birth rate is likely to prove the most significant social change of the 1970s in Britain, according to the new edition of social trends published on 2nd December 1976. It is likely to have even more far-reaching effect than the political and industrial unrest caused by high inflation and unemployment which have overshadowed the decade so far.

Fewer babies were born in Britain last year (1975) than at any time since the 1930s, the social commentary covering the first six years of social trends publications points out that although 500,000 people have been added to the population since 1970 most of the increase occurred before 1974 and the population has virtually stopped growing since then. The likely changes in family structure and the consequences in all areas of social policy of a static or slowly declining population are very far-reaching indeed. Although there has been little debate on the implications it has already had an impact on public policies. Fewer school teachers are being produced, as training colleges close or merge with other institutions. Plans for new towns are being reviewed. There is also likely to be considerable impact on housing policies, since families now seem to want fewer children and more small households are being formed.

Within the static size of the population, there have been considerable changes in distribution by regions, age groups and ethnic origin. The falling birth rate, which began in 1964, has reduced the number of children in the population, while a static death rate has meant that more old people survive. The number of people aged 85 and over increased by 17 per cent between mid-1970 and mid-1975, by raising the total in the age group from 439,000 to 575,000.

People from the New Commonwealth and Pakistan formed a higher proportion of the population, rising from 2.6 per cent in mid-1970 to 3.3 per cent five years later. Immigration accounted for nearly half the increase, the rest resulted from natural increase. The birth rate among those groups is falling, but not as quickly as the rest of the population.

From the table below we can notice that there are more than three and a half million children of pre-school age at the present.

	Annual pre-school population				Projected annual pre-school population			
	1965	1970	1975	1980	1975	1980	1985	1990
	4,740	4,586	3,958	3,553				
	4,790	4,503	3,754	3,667				
	4,791	4,405	3,593	3,781				
	4,759	4,295	3,504	3,885				
	4,696	4,124	3,496	3,989				
							1985	4,098

Source: General Register Office.

As the market size depends upon the annual births we must take into account the annual births which are given in 000's in the table below.

Years annual births				Years Projected annual births			
1965	1970	1975	1980	1975	1980	1985	1990
997	904	722	795				
980	902	701	827				
962	834	699	850				
947	780	731	897				
920	737	763	922				
						1985	953

Source: General Register Office.

One can see from the above table that the Britain's birthrate has become decrescent and is currently at the lowest recorded level. The decline, however, in the total number of customers is the industry's major problem.

To counteract this decline in demand, the manufacturers have retaliated by introducing more and more varieties and by extending in certain cases the usage of their products into toddler and under five age group, this has meant that in real terms the market has declined very slightly.

On the optional side, the Registrar General predicts, as we can see from the tables above, the baby population will start picking up in the 1980s when a larger number of women will enter the peak childbearing age, these women are from the baby bulge of the late 1940s and early 1950s.

CHAPTER 3

SIZE OF FIRMS - MARKET SHARES - NATURE OF COMPETITION

In this chapter we will examine the following; size of firms; market shares; the nature of competition. The market share and the size of firms will obviously be linked, as the bigger the market share, then the bigger the firm. However, we will split the market up into different categories as shown below, and show the share of the market for each category. Finally we will look at how the firms compete i.e. quality of goods, price of goods and their promotion techniques and distribution.

The total market value for baby foods at r.s.p. in 1974 was as follows:-

(£Mn)	
Milk products	12.0
Rusks	4.0
Cereals	1.0
Strained/Junior foods	28.3
Instant	1.7
Syrups	3.5
Juices	0.8
	<hr/>
Total	51.3

Source: Trade estimate Retail Business November 1975

a) Milk Products: Manufacturers, brands and market shares.

Manufacturers in this sector do not use "hard sell" techniques since this would involve advising mothers not to breast feed. However, although breast feeding is advocated in most hospitals and maternity homes, the number of mothers who actually breast feed is decreasing, ensuring that substitute milk products continue to be in demand. In addition, early weaning onto solids is not currently in favour with some of the medical profession who advise mothers to keep a child on milk alone (breast milk for preference) at least for the first four months of life. These factors have caused the market to remain static.

Cow and Gate (Unigate), the market leaders in baby milks, in 1974 celebrated their seventieth year of baby food production. Their range comprises of 5 types of infant milk in three broad sectors. The first sector comprises Baby Milk 2; traditional dried Cows Milk (the formula for which has not changed very much since 1904) and Baby Milk 1 most hospitals for "normal" babies, i.e. those without feeding problems. Breast milk is best for babies and so Cow & Gate aim to produce baby milk at a reasonable price and which closely resembles mother's milk. As a step in this direction "Sector 2 products" comprising "Babymilk Plus" and "V-formula" were introduced. In both these products the excess protein and mineral value is comparable to that of breast milk. The only difference between the two products in this sector is that the "Babymilk plus" contains butterfat and "V-formula" vegetable oils for use when doctors consider them preferable. Finally, the third sector comprises "Premium Baby food", a sophisticated product launched at the end of 1974.

As well as these standard mixes there are several specialised formula foods which are fed to babies with metabolic disorders - these are usually supplied to hospitals or are available on prescription.

Glaxo Laboratories produce Ostermilk which is the second brand in the Market, an old established brand developed from a powdered milk first produced over 100 years ago. Four different types of Ostermilk are now produced - "Ostermilk 1", "Ostermilk 2" (both being gradually phased out), "Golden Ostermilk" and "Ostermilk Complete Formula." Of these two, "Golden Ostermilk" is at present the most popular, "Ostermilk Complete Formula" launched 30 months ago, is the fastest-growing brand.

SMA (Scientific Milk Adaptation) is a product of John Wyeth and Brothers Ltd - the ethical pharmaceutical subsidiary of American Home Products Corporation. Two types of SMA are currently being produced, "Regular" and "Gold Cap".

The latter, launched in June last year, was produced after an extensive research programme to duplicate breast milk as far as possible. The formula is based on equal proportions of skimmed milk and whey. It avoids the use of a high proportion of butterfat which can cause problems in infant feeding. "Gold Cap" SMA has taken off extremely well and sales are currently half those of "Regular" SMA.

Brand shares for milk products: 1974

(per-cent by volume)

Cow & Gate	45
Ostermilk (Glaxo)	35
SMA (John Wyeth)	16
Others	4
	100

Source: Trade estimates Retail Business November 1975

b) Rusks and cereals

Rusks and cereals form a small but distinct part of the baby food market, accounting for about £4 million of the £51 million market at rrp

Farley's rusks appeared on the market 80 years ago when a Plymouth doctor produced a formula for a baby biscuit which he persuaded a local baker to manufacture. This company, acquired by Glaxo in 1968, prospered and Farleys currently have a 92% share of the total rusk market.

Farley's rusks dissolved in milk are mainly used as weaning cereals; however, Glaxo have extended usage of their product as a biscuit in the toddler market. Important brands in the cereal market are Farex (Glaxo Laboratories), Cow and Gate and Robinsons (Reckitt and Colman). The latter company do an extensive range comprising mixed cereal, baby rice, a twin pack containing both baby porridge oats (used to be called Groat - first patented in 1970) and protein baby food.

Mixed cereal and baby rice are the best sellers.

The rusk and cereal market, taken in its entirety, has encountered a setback recently because of the current emphasis on the avoidance of obesity in babies.

c) Strained and Junior foods)

This is the largest sector of the baby food market. The products are divided into strained foods suitable for babies in the 4-8 month age group and junior foods for the 8-18 month olds. Sales of this product expanded rapidly in the 1960s, from about £6Mn to £18Mn. An increasing number of mothers, however, are tending now to prepare their own baby meals. This, together with the decline in the birthrate and the advice given by the medical profession to keep babies on milk alone for a large period of time, has caused the market to decline slightly in volume terms.

Heinz entered the baby food market in 1937 and after the war expanded their sales rapidly having over 90 per cent of the market in the early 1960s. Despite strong competition from other manufacturers this share is still approximately 75 per cent. The total number of varieties is around the 100 mark.

Two years ago, Heinz relaunched their entire canned range and introduced 20 new high protein main-meal varieties and several dessert varieties. New labelling was also introduced in order to ease the problems of shelf merchandising. This had a beneficial effect on sales. Although most of the Heinz products are packed in tins, Heinz have also been in glass jars in a small way. The Company have introduced a new range of high protein foods packed in jars in 1975 (summer).

Gerber entered the baby food market in Great Britain in 1964 when Brown and Polson, the British subsidiary of the American Company, Corn Products, introduced a range of strained and junior foods in glass jars. The product appealed to mothers and Gerber's market share increased from about 9 per cent in 1968 to 18 per cent in 1974. Gerber baby foods are produced at Paisley, Scotland, where £500,000 has been spent on a new plant to

increase capacity. There are now 60 varieties in Gerber's range and Junior tea time savouries introduced in October 1972 achieved a seventeenth place in "Top 20 listings of 1974" published in "Supermarketing." Trufood was one of the several companies merged into Unigate some years ago. Now renamed Cow and Gate, the products marketed include "Strained Junior Meals" and "Toddler Baby Meals". Toddler meals can be used until the child is 2 years old or more, covering the time when the mother's spending on feeding her baby is at its highest. Glass jars are used as they are considered by this company to have the selling edge on cans. Brand shares for strained and junior foods: 1974/75:

(per cent by volume)

Heinz	75
Gerber (Brown & Polson)	18
Cow & Gate (Unigate)	7
	100

Source: Trade estimate Retail Business
November 1975

d) Instant Foods

The market for dried, non-milk baby foods, dominated by Robinsons is worth approximately £1.7Mn. Two advantages of "dry" foods over "wet" foods are claimed. Firstly, portion control (the mother can mix just as much, or as little, as her baby requires, thus eliminating wastage) and secondly consistency control (some babies need a thicker feed).

Although Robinsons have been in the baby food market for years (Robsoups and Robsweets packed in tins were sold during the war), they entered the instant market as late as 1968.

The two main product types are Babyfood 1 and Babyfood 2, corresponding to strained and junior foods respectively. In all, 16 varieties are produced, the most popular brands in this category are the vegetable and meat dinners and the fruit puddings.

Boots entered the "infant" baby food field in 1971. This small market was chosen in favour of the "wet" food sector probably because the latter is a very brand-conscious sector with Heinz and Gerber, and instant foods were felt to be easier to unbrand. The image of Boots (quality for money), together with merchandising techniques has increased their market share to about 23%.

Both Gerber and Farley entered this market in 1968 but opted out - Farley in 1971 and Gerber in 1972 - probably because of the smallness of the possible market.

Brand shares for instant baby foods: 1974

(per cent by volume)

Robinsons	77
Boots	23
	<hr/>
	100

Source: Trade estimate Retail Business
November 1975

E) Baby syrups and juices

The baby syrup/juice market is worth approximately £4.5Mn, syrups being £3.5Mn and juices £1Mn. Delrosa (Sterling Health) was first introduced in 1942 as a war time expedient to ensure an adequate intake of vitamin C in baby diets. This product, which is now available in a variety of flavours, is claimed to have a higher vitamin C content than any other brand. Next in the market is Robinsons with a full range of flavours, Blackcurrant being the most popular and rose-hip being the least popular. Boots entered the syrup market in 1966 and have managed to acquire a 10 per cent share.

In general, the syrup market has virtually no growth because the high sugar content of syrup has caused the medical profession not to recommend it. Despite warnings from manufacturers some mothers do pour syrups into "comforters" causing tooth decay. It is partly for this reason that Gerber have used dextrose instead of sucrose to sweeten their concentrated fruit juices. Orange juice specially formulated for babies, following the withdrawal of Government sponsored orange juice, was first launched in November 1974. From its expansion in the USA, Gerber

saw that there was a definite market for apple and other flavour juices as some babies are allergic to orange and other citrus drinks. This led to the launching of 3 new flavours.

A new entrant in the market is Cow and Gate who launched orange juice and three baby syrups, blackcurrant, raspberry and rosehip on a test market basis in April this year. Orange juice has been sweetened with dextrose and the latter three varieties with glucose. In addition the product has been enriched with vitamin B, B, nicotimamiole, iron and vitamin C. This product is at present only ² ⁶ available in the Southern T.V. area. Gerber is thus the only juice manufacturer on a national basis.

Brand shares for baby syrups (excluding juices:) 1974

(per cent, by volume)

Delrosa	43
Robinsons	22
Optrose	21
Boots	10
Others	4
	100

Source: Trade estimate Retail Business November 1975

Nestle's Growing-Up Foods

These products do not fit into any of the categories discussed so far and have, therefore, been covered separately. Briefly, Growing-Up Foods were introduced in September 1974 in answer to the obesity and tooth decay problems of children in this country. Specially designed for children from 6 months to 5 years, the range comprises of Cerelac (instant breakfast cereal), Honeymalt (malted milk with honey), Tumbles (strawberry-flavoured cereal rings), Tackers (shaped biscuits), Spready (savoury spread) and a range of soups. Each of these items is enriched with protein, vitamins and minerals. At present Growing-Up Foods are available only at Boots, this outlet providing the manufacturers with an excellent test market.

A high proportion (37 per cent in 1974) went into press advertising. The specialist press, i.e. Mother, Mothercraft etc is generally used. Manufacturers tend to consider mass-media advertising wasteful. Considerable sums are also spent on below-the-line activity, keeping up the industry's service-oriented image. An important operation which has the unique advantage of introducing the young mother to Heinz is the distribution of samples through Bounty Services Ltd. Bounty packages are delivered to 52,000 new mothers (nearly 66 per cent of the total) a year. Since the operation began in 1960, over 6 million mothers have received Heinz samples together with one of the most widely read counselling publications, the Heinz booklet "From Milk to Mixed Diet". These samples and literature are distributed with the permission of the appropriate hospital authority - a high degree of brand loyalty is thus ensured by this sampling method. Another service offered is the Heinz Baby Club which offers housewives the opportunity to buy household and baby products at significant reductions on normal prices. In addition, through head office and at store level, the Heinz sales force works closely with retailers giving advice on the laying out of the baby food fixture for maximum ease of maintenance and profitability. The consumer advice service, run by a midwife answers some 3,000 letters a year.

Most of Gerber's promotional activity is below-the-line with considerable emphasis placed on trade dealing and bonusing. A large proportion of the company's promotional expenditure is allocated to the Gerber Baby Council, a full-time team of nutritionalists who deal with enquiries from the public on child welfare and who also call on hospitals and maternity homes, as well as spending a great deal of time working on new formulae. To assist in self merchandising, Gerber have introduced shelf edging strips to identify each mealtime segment. One hundred lady merchandisers are employed by Gerber to service shelves, ensuring that the fixture remains tidy.

Nestle's have produced four attractive posters titled "My Height", "My Weight", "My Teeth", and "My Food", all designed by Dick Bruna.

These are available on request and approximately 30,000 have been distributed so far. Two booklets titled "Nutrition and the Pre-School Child" and "What you should know about Nestle's Growing-Up Foods" have also been produced. A height chart is at present being given away at Boots with every purchase of Growing-Up Foods.

In the instant baby food sector, Robinsons, whose advertising appropriation on press and TV more than halved in 1974 compared with 1973, have kept up a considerable amount of promotional activity. A booklet called "Holiday with your baby" has been written by Robinsons in conjunction with paediatricians at Ipswich Hospital. Two Mabel Lucie Attwell posters are available at Boots. In addition a competition entitled "Happy Baby Competition" is being run through Boots and other chemists in conjunction with Kodak. Mothers are invited to send in a photograph of their baby - prizes include items such as Kodak Cine Equipment and photographs by a professional for 5 years. There are prizes for the chemist as well.

Sterling Health generally go in for corporate advertising. However, two spells of TV advertising on the Delrosa range (Syrup and Junior Delrosa Vitamin C Tablets) were seen in later 1973 and in February 1974.

Promotional activity has continued at a high level during the last two years. Delrosa was relaunched in June last year with a higher vitamin C content, new packaging and labelling. To tie with this relaunch, a competition entitled "Tell Tony your favourite Story" was run in 1974. Mothers were asked to send their favourite stories about their babies to Tony Blackburn, 501 prizes in all were distributed, the most important one being a Mini Clubman Estate. A new promotion "Save our £3 on a baby buggy" was introduced at the beginning of 1975. The response is said to have been very large. For Boots, the theme "Baby Boots" has proved to be extremely popular, its concept spreading in larger Boots Stores. The campaign started in the latter part of 1974, both on a national level and in the specialist press. Straight price promotions are very popular here.

Cow & Gate (Unigate) spend £ $\frac{1}{4}$ Mn on TV commercials plus press advertising in mother type magazines, their sales force calls not only on retailers but also on hospitals and the medical profession. Two recent promotion schemes which proved very successful were the personalised i.e. baby's name and date of birth - pottery mug, bowl and plate for baby which was obtained by the mother collecting 25 labels and the initialled silver-plated spoon for which 15 tokens were required.

Farley's allocated £270,000 in 1974 to be spent on an advertising campaign on TV aimed at on new market - older children than the traditional farley's men. Commercials were produced showing rusks being eaten and enjoyed mainly as a biscuit by children in the 2-4 year old age group. Since then the farley's slogan has been re-emphasised.

One of Farley's most successful promotion schemes was a competition which invited health visitors to submit film scripts, the best of which were made into film scripts which were shown in welfare clinics throughout the country. In 1973 Farley's, in conjunction with the National Association of Maternal and Child Welfare, produced a documentary film on behaviour patterns in young children and their mothers entitled "God bless Mummy and Make her Good."

Ostermilk advertising is basically in the press. In 1974 the total sum spent on this area was £112,000. A small percentage is also spent on advertising to the professionals of the medical world.

To succeed with a baby food it is essential to have the goodwill of the medical profession and, in some cases, pre-eminently milk foods and weaning cereals, to have positive recommendation of a doctor. Accordingly, all companies in this field advertise in the medical press and have medical representatives calling on all the members of the profession who may influence mothers, doctors, midwives, health visitors, local authority officers and the staff of clinics and maternity hospitals. Some companies like Glaxo for example can spread their cost to some extent over a range of pharmaceutical products but for the others it must be borne by the baby food alone. Cow and Gate enhance their goodwill by producing a special range for babies with

dieteric problems. A 96 page booklet has been prepared by Cow and Gate which serves as a guide to a baby's diet at five different stages of development. For many years, Cow & Gate milks have been supplied to hospitals direct, ready to feed in disposable containers. John Wyeth & Brothers (SMA) formed a nutritional division in 1974 with a sales force separate from its ethical division to concentrate on developing SMA through retailers and by medical recommendation. A substantial proportion of hospitals are serviced with an SMA ready-to-feed system and sample packs are distributed to mothers via hospitals and clinics. In addition to advertising in the specialist press, £10,000 was spent in 1974 on a film, regarding the desirability of breast feeding, made with the co-operation of paediatricians at the Northwick Park, North London, Hospital.

Distribution

Distribution of baby foods, except milk, is still mainly through grocers, though in recent years Boots have had a phenomenal increase in their share of the trade. Relevant Statistics are given below:

Shares of Baby Food Market: 1974/75 (per cent by volume)

	Baby Milk	Strained & Junior Baby Foods	Instant Baby Food	Syrups
Grocery outlets	20	63	20	60
Boots	25	25	53	25
Other chemists	80	12	27	15
Total	100	100	100	100

Source: EIU and trade estimate. Retail Business 1975

Baby milk tends to be an exception; the majority of sales passing through chemists. Cow and Gate, in fact, have maintained a policy of sales through chemists only. Within the grocery section distribution of strained and junior baby foods compared with the entire baby business can be broken as follows:

Shares of Strained and Junior Food Market by grocery outlets 1974/75.

(per cent by volume)

	<u>All grocery business</u>	<u>baby foods</u>
Co-ops	15	17
Multiples	44	57
Symbol	20	20
Others	21	6
Total (all grocery outlets)	<hr/> 100	<hr/> 100

Source: Trade estimates Retail Business November 1975

Clearly sales of baby foods are strongly biased towards multiples and slightly towards Co-ops.

Certainly, no one is giving less space to baby foods. The amount of shelf space has remained static or has marginally increased. Retailers are urged by manufacturers to stock a wide range of varieties, because, if a mother is unable to select an interesting and varied menu from a particular shop, she will not restrict her purchase to what is available but will look elsewhere for a good range. No matter how excellent the product, unless it is stocked and displayed by the major retail outlets it cannot be a success. Heinz and Gerber have teams of managers negotiating with the head offices of the large retail concerns and large sales forces calling on individual stores. Special promotions stimulate sales through particular outlets from time to time (such as Heinz through Sainsbury's and Gerber through the Co-ops). It is, of course, crucial for smaller suppliers to get shelf space if they are to compete with the market leader and initially this is often done through special promotions. Heinz has specially good arrangements with Sainsbury's and Fine Fare. Thus in the "wet" and "dry" baby food sector, Heinz is the only variety stocked at Sainsbury's. Also, Heinz reckons that it has over 75 per cent of baby foods fixture in Fine Fare stores. Thousands of

dump bins have been supplied countrywide in these stores. At Fine Fare's 20,000 square feet superstore Heinz baby food are displayed on a 16 feet five-shelf gondola, near the 15 checkouts.

Only one per cent of instant baby foods are sold through clinics. This compares with 11 per cent in 1967. Manufacturers are finding clinic representation and maintenance of clinic staff increasingly expensive and it has gradually become uneconomic to sell products through clinics.

NATURE OF COMPETITION

A company thinking of entering a new market should review that new market from a variety of angles. One of those aspects which the company should examine before entering the new market is the nature of competition which prevails within the market.

The new market may have profit opportunities, the available resources and knowledge but the competitive situation may be so severe that it will be extremely difficult to infiltrate.

Therefore, it is vital to throw light on this particular area of the baby food industry. The main characteristic of the baby food industry from competitive point of view is that there are approximately a dozen or so companies involved, each of them concentrating on a particular product classification. For example, in the milk classification there are three firms involved, whereas in the 'rusks area' there is just one firm.

In this sub-chapter we will analyse the nature of competition for milk, strained/junior foods and rusk classifications. We will not be engaged at all with the rest of the classifications as they are of little importance because they represent a small percentage of the total baby food market.

a) Milk Products

The Milk Market is under oligopoly with two companies holding the most.

The entire milk market spent £388,000 on advertising with a turnover of £12Mn or 3.4%. The leading company, Cow and Gate, spent £167,000 with a turnover of £5.4Mn or 3.9%, whereas the second, Ostermilk, and the third, SMA, spent 2.5%, 0.8% of their turnover respectively in 1974. The above percentages indicate that the milk manufacturers do not follow "hard sell" techniques since this would involve advising mothers not to breast feed. Thus the market remains static, because on one hand the number of mothers who actually breast feed is decreasing and on the other hand the baby population decreases, therefore, firms involved will not have any overall benefit by carried out extensive advertising.

The competition in packaging is very conservative, changes in packaging not being usual. SMA for example has been using the same technique since 1957. The actual battle among the firms in the milk market is on the product research, the manufacturers are trying to come up with a milk product to be as close as to mother's milk.

The below-the-line competition is also hard. The manufacturers to succeed must have the goodwill of the medical profession.

One can conclude by stating that the market situation is under oligopoly not only because of the strong competition but also because of the lack of market opportunities.

b) Rusks

The rusk market is almost under a monopoly, mainly there is only one firm (Farley's) which are having 92% of the rusk market. They spent £197,000 on advertising in 1974 to achieve £3.6Mn turnover or 5.4%. They spent that amount of money not to discourage possible competition but to stimulate the demand.

c) Strained/Junior foods

Again this market is under oligopoly situation for with two major companies, Heinz (75%) and Gerber (18%), the latter company entered the market in 1964 and in ten years captured 18% from the Heinz market.

There is no actual strong advertising competition taking into account that Heinz spent 0.24 of their annual turnover in 1974 or £345,000, whereas Gerber did not carry out any advertising. The real battle in this market is carried out in i) packaging ii) merchandising and other activities below the line.

The package in this particular field of products is very important because of the sensitivity of the vitamins to light exposure and one can assume that Gerber gained their 18% mainly on the jars which they themselves first put on the market when they entered it.

A great deal of attention has also been given to merchandising. Both companies are trying very hard to push the whole range of varieties because if a mother will not find a variety she may switch to another brand which provides the whole range.

A lot of money is spent by these two companies on samples, brochures and representatives who enlighten the medical profession (doctors, midwives, health visitors etc) who may ultimately influence mothers.

CHAPTER 4

SEGMENTATION - EXPORTS - IMPORTS - BABYFOOD EXPENDITURE TO TOTAL FOOD EXPENDITURE

In this chapter we will first analyse exports and imports, then market segmentation and finally the ratio of baby food expenditure to total food expenditure. These analyses are important because they will reveal the following: possible marketing opportunities in foreign markets; possible threats from foreign industries; whether market segmentation is necessary; which segment is most profitable for the baby food firms etc., and finally the attitude of households towards baby food expenditure in comparison with total food expenditure.

A) SEGMENTATION

Whenever a market for a product or service consists of two or more buyers, the market is capable of being segmented; that is divided into meaningful buyer groups. The purpose of segmentation is to determine differences among buyers which may be consequential in choosing among them or marketing to them. Most sellers do not find it worthwhile to study every individual buyer and "customize" the product to satisfy each buyer's individual needs. Instead, the seller generally searches for broad classes of buyers who differ in product interests or marketing susceptibilities. For example, the seller may discover that product interests or marketing susceptibilities vary among different income groups. Very often income class and age class both count heavily in differentiating buyer's behaviour toward the product. The seller may find it desirable to partition the market according to those joint characteristics. In general, as the market is segmented on the basis of a larger set of joint characteristics the seller achieves finer precision in his segmentation, but this is at the price of multiplying the number of segments.

In the baby food market, the young working class mother, according to Heinz, is not only price but also ease conscious. The upper middle and the rich mothers have shown preference for home preparation and to a lesser extent for slightly dearer Gerber baby foods in glass containers. Having said this it must be maintained that several influences such as doctors, midwives, mothers, mother-in-laws, friends with children affect buyer behaviour and the ultimate choice. But this in no way

undermines market segmentation as a useful strategy.

According to Heinz the baby food market in 1975 constituted 2.3% of the overall market for food. Of this in the milk products sector Unigate had 45%, Ostermilk 35%, John Wyeth 16% and the rest 4% (by volume).

In the instant baby foods sector Robinsons had 77% and Boots 23% by volume.

In the strained and junior foods category Heinz had 75%, Gerber 18% and Unigate 7% by volume. In the baby syrups sector (excluding juices) the position was - Delrosa 43%, Robinsons 22%, Optrose 21%, Boots 10% and the rest 4%.

The overall baby food market is worth approximately £20M. pounds.

b) EXPORTS and IMPORTS

In this sub-chapter we will analyse the exports and imports of the baby foods. We will examine these two parts separately as they have a different bearing on the UK baby food industry. The examination of these two parts is very important as they may affect the baby food industry in the UK directly. The possible existence of foreign baby food markets may create opportunities for the domestic firms and they should take advantage of these opportunities and again, the foreign competitive firms may create a threat for the domestic firms. Therefore, we consider it to be worthwhile examining these two market elements.

A. Exports

Looking at the table attached one can observe that the percentage exports to domestic sales is very small indeed. The percentages for 1972, 1973 and 1974 were 4.6%, 3.5% and 3.3% respectively.

The low level of exports can be explained in various ways but first we should distinguish exports into 1) under-developed countries (e.g. Nigeria) 2) developed countries (e.g. Germany, Italy.) This distribution is necessary as the customers' profile and marketing operations are different. Generally speaking, a firm has to justify the exporting operation in a foreign market, thus the foreign market should provide i) large enough market which

ultimately will result in a reasonable return on investment ii) the marketing facilities ensures that the exporting firm reaches the present and potential customers and overcomes any existing competition. Most of the underdeveloped countries are completely lacking in the above two mentioned conditions due to low proportion of working mothers who may not be as sophisticated as the mothers from the developed countries and therefore they may prefer feeding their babies in the same manner as they themselves have been fed. Also the marketing approach may be difficult as a result of differing languages, varying culture, lack of proper mass communication mix and probably poor distribution systems.

Some underdeveloped countries such as Iran, Nigeria etc may have a market for baby foods but their eating habits and the marketing conditions might prevent the exporting firms from reading these markets profitably. As far as the developed countries are concerned, they have more or less the same characteristics as the domestic market: high proportion of working mothers, sophisticated, with high per capital income; thus facilitating a marketing operation since the society will have a well organised communication mix as well as proper distribution system. Regardless of these advantages, a domestic firm may encounter difficulties in getting through as the competition may be very hard. One must also consider that the majority of baby food companies are multinational and thus political issues, national economic variables such as low cost of production and transportation costs play an important part in determining a marketing operation. It is necessary to analyse the existing exporting situation in value terms. The leading importing country is the Irish Republic, importing 52%, 7%, 68% of all the classifications respectively for the years 1972, 1973 and 1974. The remaining exports are absorbed by 5.6%, 5.7% and 7.4% of the developed countries and the underdeveloped countries absorb 42.4%, 24.3% and 24.6%.

U.K. ExportsYear 1972

Homogenised composite food preparations CTG Meat or Meat Offal

<u>Country</u>	<u>Value £</u>	
036	Switzerland	2755
038	Austria	174
004	Germany: Western	11707
003	Netherlands	127
001	France	540
005	Italy	819
048	Yugoslavia	3859
026	Irish Republic	325510
044	Gibraltar	1869
046	Malta	4939
600	Cyprus	6174
216	Libya	19291
264	Sierra Leone	229
288	Nigeria	4880
346	Kenya	247
378	Zambia	239
388	Rep. of S. Africa	144
358	St. Helena	132
356	Seychelles	88
642	Muscat & Oman	226
706	Singapore	235
740	Hong Kong	584
718	Brunei	143
All Countries Total		384911

Homogenised composite food preparations not CTG
meat or meat offal - CTG Fish

600	Cyprus	190
404	Canada	173
402	U.S. of America	363
All Countries Total		726

Homogenised Composite food preparations not contg
meat, meat offal or fish

030	Sweden	1075
072	Denmark	1695
024	Iceland	1735
036	Switzerland	10684
038	Austria	131
004	Germany: Western	11696
003	Netherlands	57
006	Belgium	175
001	France	7883
005	Italy	8564
048	Yugoslavia	4449

026	Irish Republic	233951
044	Gibraltar	11732
046	Malta	11142
600	Cyprus	6235
208	Algeria	3631
212	Tunisia	250
216	Libya	20559
224	Sudan	6501
252	The Gambia	115
264	Sierra Leone	1383
268	Liberia	480
276	Ghana	103
288	Nigeria	8304
334	Ethiopia	221
350	Uganda	520
346	Kenya	7952
330	Angola	72
378	Zambia	4037
386	Malawi	1306
366	Prt. E. Africa	1015
388	Rep. of S. Africa	178
356	Seychelles	89
354	Mauritius	640
632	Saudi Arabia	943
636	Kuwait	188
644	Qatar	234
642	Muscat & Oman	300
656	Dem. Rep. Yemen	166
616	Iran	9549
620	Afghanistan	78
660	Pakistan	3462
704	Malaysia	74
706	Singapore	158
736	Taiwan	1558
740	Hong Kong	165
850	Indian Seas Is.	99
802	Australia	136
402	U.S. of America	1012
470	Antigua, etc.	409
476	Dominica, etc.	91
482	Barbados	91
472	Trinidad & Tob.	373
486	Guyana	295
490	Falkland Is.	58
	All Countries Total	387999

Natural Yeasts - Active

Value £

Country

032	Finland	266
030	Sweden	12902
028	Norway	12336
072	Denmark	18280
024	Iceland	1556
036	Switzerland	459
080	Portugal	161252
004	Germany: Western	22926
003	Netherlands	620
006	Belgium	320
001	France	5822
005	Italy	1722
050	Greece	193
052	Turkey	53156
048	Yugoslavia	10779
All Countries Total		302589

TOTAL EXPORTS

FOR 19721,075,499

UK ExportsYEAR 1973Homogenised composite food preparations
CTG meat or meat offal

<u>Country</u>	<u>Value £</u>
036 Switzerland	23164
004 Germany: Western	12435
003 Netherlands	330
005 Italy	516
026 Irish Republic	371055
048 Yugoslavia	3424
044 Gibraltar	1400
046 Malta	682
600 Cyprus	5880
264 Sierra Leone	444
276 Ghana	145
288 Nigeria	5315
346 Kenya	2452
378 Zambia	1326
354 Mauritius	227
656 Dem. Rep. Yemen	426
706 Singapore	132
740 Hong Kong	1979
732 Japan	9141
850 Indian Seas Is.	100
814 New Zealand	443
402 U.S. of America	1465
476 Dominica, Etc.	52
All Countries Total	442533

Homogenised composite food preparations
not CTG meat or meat offal - CTG fish

004 Germany: Western	156
005 Italy	484
All Countries Total	640

Homogenised composite food preparations not
contg meat, meat offal or fish

<u>Country</u>	<u>Value £</u>	
030	Sweden	3103
028	Norway	272
024	Iceland	154
036	Switzerland	11699
080	Portugal	69
004	Germany: Western	9951
003	Netherlands	1347
006	Belgium	429
001	France	990
005	Italy	857
026	Irish Republic	226021
074	Faroe Islands	150
050	Greece	792
048	Yugoslavia	15010
044	Gibraltar	19238
046	Malta	13590
600	Cyprus	4464
216	Libya	80334
264	Sierra Leone	1970
268	Liberia	1230
276	Ghana	2373
280	Togo	92
288	Nigeria	12378
350	Uganda	357
346	Kenya	5896
378	Zambia	7102
386	Malawi	1130
388	Rep. of S. Africa	57
356	Seychelles	134
604	Lebanon	1437
628	Jordan	4800
636	Kuwait	2874
650	Dubai etc.	1676
642	Oman	937
656	Dem. Rep. Yemen	1600
612	Iraq	330
616	Iran	4376
704	Malaysia	598
706	Singapore	2071
740	Hong Kong	2772

728	Rep. of Korea	744
850	Indian Seas Is.	210
700	Indonesia	800
464	Jamaica	2070
470	Antigua, etc.	134
476	Dominica, etc.	981
490	Falkland Is.	58

All Countries Total	449657
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TOTAL EXPORTS FOR 1973	892830
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UK EXPORTSYEAR 1974Homogenised composite food preparations
CTG meat or meat offal

<u>Country</u>	<u>Value £</u>
SE SWEDEN	945
OS Austria	136
DE Fed. Rep. Germany	9964
NL Netherlands	975
IT Italy	127
YU Yugoslavia	2205
EI Irish Republic	408275
GL Gibraltar	1945
MT Malta	3442
GM Gambia	605
GH Ghana	245
NG Nigeria	2196
KE Kenya	381
ZM Zambia	1530
SC Seychelles	255
CY Cyprus	7927
KW Kuwait	864
OM Oman	719
MY Malaysia	4030
SG Singapore	300
HK Hong Kong	540
KS Rep. of. Korea	4320
ID Indonesia	175
JA Jamaica	633
All Countries Total	452734

Homogenised composite food preparations not
ctg meat or meat offal - CTG fish

SE Sweden	411
EI Irish Republic	5636
US U.S.A.	641
All Countries Total	6688

Homogenised composite food preparations
not contg Meat, Meat Offal or Fish

<u>Country</u>	<u>Value £</u>	
SE	Sweden	5349
CH	Switzerland	5555
OS	Austria	150
DE	Fed. Rep. Germany	3625
NL	Netherlands	3625
YU	Yugoslavia	58891
ES	Spain	6996
EI	IRISH REPUBLIC	273163
GL	Gibraltar	15997
MT	MALTA	11886
MA	Morocco	1620
AG	Algeria	1997
LY	Libya	588
ML	Mali	2333
SD	Sudan	871
SL	Sierra Leone	3405
LR	Liberia	451
GH	Ghana	3457
NG	Nigeria	4640
ET	Ethiopia	563
SO	Somalia	148
UG	Uganda	1300
KE	Kenya	11138
ZM	Zambia	2072
MW	Malwai	142
ZA	South Africa	5708
MU	Mauritius	644
CY	Cyprus	4015
LB	Lebanon	276
SA	Saudi Arabia	250
KW	Kuwait	2696
OM	Oman	194
YE	Yemen Arab Rep.	11340
IR	Iran	1485
AF	Afghanistan	2105
IN	India	33820
BD	Bangladesh	11070
SG	Singapore	1407

HK	Hong Kong	1564
JP	Japan	235
MV	Maldives	120
ID	Indonesia	317
CA	Canada	5532
US	U.S.A.	5422
BR	Brazil	6480
FK	Falkland Is.	331

All Countries Total	526067
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TOTAL EXPORTS FOR 1974	985489
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Source: Customs and Excise

B. Imports

The percentage imports of domestic sales for the years 1972, 1973, 1974 were 0.28%, 0.12% and 0.12% respectively. Probably the underdeveloped countries may find difficulty in penetrating the UK Baby Food Markets as having management with low efficiency and lacking proper long-term marketing plan; whereas the developed countries may find difficulty in operating in the UK Baby Food Market for the same reasons as the UK firms do.

If one has a look at the attached imports tables where one will realise that the entire imports come from the developed countries with the exception of India, this exception to the rule probably being the result of immigrants retaining the habits of their Homeland.

U.K. IMPORTSYEAR 1972Homogenised Composite food preparations
CTG meat or meat offal

<u>COUNTRY</u>	<u>VALUE £</u>
004 Germany: Western	358
All countries total	358

Homogenised Composite food preparations
not ctg meat or meat offal - ctg fish

028 Norway	2602
005 Italy	148
732 Japan	225
All countries total	2975

Homogenised composite food preparations
not contg meat, meat offal or fish

003 Netherlands	55
005 Italy	179
740 Hong Kong	325
All countries total	559

Natural Yeasts - Active

030 Sweden	54
072 Denmark	1275
036 Switzerland	738
004 Germany: Western	10820
003 Netherlands	16061
026 Irish Republic	230
404 Canada	23412
402 U.S. of America	9920
All countries total	62510

TOTAL IMPORTS FOR
1972

66402

U.K. IMPORTSYEAR 1973

Homogenised composite food preparations
ctg meat or meat offal

<u>COUNTRY</u>	<u>VALUE</u> £
001 France	270
026 Irish Republic	5136
814 New Zealand	2232
402 U.S. of America	1638
All countries total	9276

Homogenised composite food preparations
not ctg meat or meat offal - ctg fish

001 France	953
706 Singapore	267
All countries total	1220

Homogenised composite food preparations not
contg meat, meat offal or fish

036 Switzerland	7085
001 France	185
005 Italy	7463
740 Hong Kong	267
404 Canada	559
402 U.S. of America	145
All countries total	15704

Natural Yeasts - Active

<u>COUNTRY</u>	<u>VALUE £</u>
003 Netherlands	2134
072 Denmark	444
026 Irish Republic	339
404 Canada	1084
402 U.S. of America	404
All countries total	4405
TOTAL IMPORTS FOR 1973	30605

U.K. IMPORTSYEAR 1974Homogenised composite food preparations
ctg meat or meat offal

<u>COUNTRY</u>	<u>VALUE £</u>
SE Sweden	1205
FR France	12334
EI Irish Republic	588
US U.S.A.	479
All countries total	14606

Homogenised composite food preparations not
ctg meat or meat offal - ctg fish

SE Sweden	1052
NO Norway	566
SG Singapore	258
All countries total	1876

Homogenised composite food preparations not
contg meat, meat offal or fish

SE Sweden	146
NO Norway	347
NL Netherlands	352
FR France	123
EI Irish Republic	10477
CA Canada	581
US U.S.A.	139

All countries total 12165

Active Natural Culture Yeast

<u>COUNTRY</u>	<u>VALUE £</u>
DK Denmark	6416
DE Fed. Rep. Germany	776
NL Netherlands	287
JP Japan	137
AU Australia	2157
All countries total	9773
TOTAL IMPORTS FOR 1974	38420

Source: Customs and Excise

C) The baby food expenditure as percentage to total food expenditure

The ratio of baby food expenditure to total expenditure is very important from marketing point of view as it could be a valid indicator of the baby food trends. If we take into consideration the fact that kinds of information can be obtained from secondary sources, then its importance becomes greater as it does not cost us a lot and it does not requisite a lot of time to be obtained.

The factors which determine that ratio are baby population, total population, income, consumer patterns and consumer behaviour. Changes in any of those variables will probably cause discrepancy in that ratio. The ratio itself does not reveal what has caused the changes but simply says that changes have taken place. Nevertheless, that information is still valuable as we are able to isolate the causes the changes effect, by carrying out field research and concentrating on these effects we can increase the industry's as well as the companies involved profitability.

A. Constant ratio could indicate that a) no changes have taken place in any of the variables determining the ratio b) when any of the above variables changes and either leaves the baby foods as well as the other foods unchanged or the effect is the same on both sizes and c) when all factors change and first there is no overall effect because one iron out the other, second when the percentage change of baby foods is the same as the total food.

In the situation where the ratio remains constant as a result of unchanged sizes the conclusion we can draw is that the baby food industry remains static and there is no real growth at all. In cases where both sizes are increasing in the same proportion the result is that the baby food industry enjoys a favourable with respect that income beyond a point may act as a restraining factor and mothers do not go to work and therefore are able to prepare the food for their babies due to more available time, with the ultimate result that the ratio begins to decline. Finally, in cases where both sizes are declining at the same proportions, the baby food industry

is having a hard time, probably some companies may leave the industry. This is only a theoretical implication and it could happen when both baby population and total population are declining with the same proportion. Attitudes and income changes cannot bring the ratio to that situation because as the income is declining, households may not buy ready cooked baby foods. They may abstain from other goods but they will still buy foods. Again attitudes.....

B. Increasing ratio means that population, income and attitudes have changed, and these changes have been more intensive in the baby foods area rather than in the food industry. In this case the baby food industry is enjoying growth and the ideal situation will be when both sizes are increasing with the baby food changes more intensive as a result of favourable attitudes.

C. Decreasing ratio means either baby population, income, attitudes, consumer patterns or all four are unfavourably changing. The worst case for the baby food industry would be the prevalence of all these factors at the same time.

From the table below one can observe that the ratio of baby foods expenditure to total food expenditure oscillates around 0.31 - 0.33 with the only exception in 1970 when the ratio was 0.41.

The general idea is that the ratio is almost constant with both figures increasing more or less at the same percentage. Since the market size of the baby food industry is declining, as we have seen before when we were analysing the market size, one would expect the ratio to decline too. The reason why the ratio is not declining is that the baby food industry as a whole and the firms involved are stimulating the demand by putting more and more sophisticated products on the market and by creating, through the promotion, favourable consumer attitudes. How far the consumers' (mothers) attitudes have changed we do not know, this can only be known by carrying out field research.

YEAR	Yearly average expenditure	% of Baby Food Total Food
1970-1	0.68 plus 0.19 = 0.87 £2.11	0.41
1971-2	0.56 plus 0.19 = 0.75 £2.31	0.32
1972-3	0.61 plus 0.19 = 0.80 £2.41	0.32
1973-4	0.67 plus 0.19 = 0.86 £2.74	0.31
1974-5	0.80 plus 0.22 = £1.02 £3.10	0.33

Source: National Food Survey

CHAPTER 5

DISTRIBUTION AND MARKETING OF BABY FOODS

At the present chapter we will examine first the distribution and second the marketing of baby foods. This analysis will reveal which are the most important channels of distribution and which are the most significant marketing approach employed by the companies involved.

1. Distribution

Our task in this sub-chapter is to reveal how the baby foods move from the manufacturers to ultimate consumers, this knowledge is of a great importance because based on this analysis we can see a) how the present distribution system operates which are, at present, the most effective channels if the existing channels of distribution are serving the market properly and if not what are the possible changes which may occur, and b) who are the present and potential customs, what are their characteristics where they are located. Therefore, the analysis of the consumers profiles in conjunction with the market strategies of the firms involved will reveal if the firms take advantage of the existing market opportunities.

A. Who Buys

Here we have to distinguish a) who buys from the manufacturers and b) who buys from the retailers. The baby foods, except milk, is still mainly bought by grocers, though in recent years (1974) Boots have had a phenomenal increase in their share of the trade. Relevant statistics are given below:

Per cent by volume	Baby milk	Strained and Junior Baby Food	Instant Baby Food	Syrups
Grocery outlets	20	63	20	60
Boots	-	25	53	25
Other chemist	<u>80</u>	<u>12</u>	<u>27</u>	<u>15</u>
Total	100	100	100	100

Source: Retail Business November 1974/75

Baby milk tends to be an exception, the majority of sales passing through chemists. Cow and Gate, in fact, have maintained a policy of sales through chemists only.

Within the grocery section, trade of strained and junior baby foods compared with the entire baby business can be broken as follows:

Percentage by volume	All grocery business	baby foods
Co-ops	15	17
Multiples	44	57
Symbol	20	20
Others	21	6
	<hr/>	<hr/>
Total	100	100

Source: Retail Business, November 1974/75

Clearly sales of baby foods are strongly biased towards multiples and slightly towards Co-ops.

B. Consumer profiles

There is only a small variation in the usage of prepared foods between classes - the bias being slightly towards the C₂, DE mothers. A smaller percentage of AB mothers buy prepared foods than other social groups. The reason for that is obvious as the AB mothers have higher per capital income than the mothers of the other classes, have no need to go to work at all and if they do are doing less tiring jobs therefore they have more available time to cook for their babies.

Consumption of baby foods by social class 1974.

% key volume

Social class	all baby foods
AB	7
C ₁	25
C ₂	37
DE	31
	<hr/>
Total	100

Source: Retail Business
November 1974/75

Consumption is generally highest in the northern areas and London (see table below). This is because the northern areas are industrial with low per capital income. Since the per capital income is low the mothers tend to go to work more than the mothers of other areas so that they can contribute to the family budget.

In this case we are faced with two variables which have different application to the growth, on one hand great need for the mothers to go to work therefore positive effect on the growth and on the other hand low income with negative effect on the growth. To eliminate that negative factor, as we have seen, the manufacturers are operating with smaller marginal profit in these areas.

In the southern area, mainly agricultural, mothers tend to cook for their babies rather than buy prepared baby foods.

Finally, the high consumption in London can be explained in the following manner. The mothers are more sophisticated, more aware of the existing products, and higher incomes.

Prices on the whole tend to be lower in the north, manufacturers operating on smaller margins there. Syrups, however, appear to be an exception, consumption being highest in London and the South East.

Heinz tends to dominate the strained and junior baby foods market in the south, thus other manufacturers such as Robinsons (Instant Baby Foods) have greater market share in the north.

The household expenditure according to region and
type of area (ounces per person per week)

YEAR	R E G I O N									
	All house holds	Wales	Scot	North	Yorksh. Humber Side	N.W.	East Midl.	West Midl.	S.W.	S.Est. East Anglia.
1970	0.82	0.72	0.84	0.46	0.66	1.32	0.47	0.80	0.41	0.95
1971	0.66	0.40	0.58	0.39	0.58	0.76	0.60	0.50	0.22	0.88
1972	0.69	0.63	0.47	0.70	0.90	0.85	0.36	0.74	0.46	0.74
1973	0.67	0.37	0.70	0.60	0.72	0.81	0.45	0.64	0.41	0.68
1974	0.70	0.87	0.80	1.14	0.45	0.78	0.70	0.59	0.41	0.68

Source: National Food Survey

	T Y P E O F A R E A					
	Conurbations		large town	smaller town	semi rular	rular area
	LONDON	PROVINCIAL				
1970	1.11	1.01	0.70	0.78	0.73	0.29
1971	1.04	0.62	0.62	0.57	0.58	0.42
1972	0.92	0.82	0.54	0.74	0.51	0.64
1973	0.96	0.70	0.66	0.62	0.53	0.37
1974	0.82	0.58	0.73	0.72	0.63	1.05

Source: National Food Survey

In conclusion we can say that consumption is higher in London and industrial areas, and smaller in the agricultural areas for the reasons already explained above.

2. Marketing of baby foods

At the present sub-chapter we will first examine the significant marketing factors, second we will look at the present marketing methods and finally we will see if there is any future changes of the marketing techniques.

This analysis is vital because it will show what are the most important elements, how much and how effectively the existing firms use the marketing mix.

Finally, we will try to trace any possible changes in the marketing mix.

A. SIGNIFICANT MARKETING FACTORS: - Pricing - Packaging
- Advertising and Promotion - Channels of Distribution

1. PRICING

Baby foods have probably had the lowest rate of price increase of any household food item. When Heinz entered the baby food market 40 years ago, the price of a can was 6d. The same size to-day costs only 7.8p, or only three times more. Gerber varieties are slightly more expensive while Cow and Gate with strained junior and toddler baby meals are at the top of the price scale.

Ample evidence of price cutting exists with multiples and other operators constantly staging attractive price promotions aimed to interest budget-conscious housewives. The success of Boots in this market has been partly attributed to its competitive prices. Quantity discounts are also available. Thus Boots instant baby foods which is available at 10½p costs 40p for 4.

Baby foods items are not in general subject to VAT. However, VAT is payable on syrups as these are considered to be beverages, despite appeals made by Sterling Health Products.

As far as profitability is concerned, disagreement exists between multiple and voluntary buyers. Thus in a September 1974 issue of The Grocer, the buyer's panel was questioned on profitability. The multiple buyer considered the baby food sector to be labour intensive and, as the products have a low unit price, comparatively unprofitable. The voluntary buyer, however, did not agree with this. Nevertheless, a comprehensive range of baby products in a store brings in young housewives - desirable customers.

2. Packaging

A good deal of interest in this market has centred on packaging. The battle between Heinz, who mainly use cans, and Gerber, who concentrate on glass jars, continues. Some of the disadvantages claimed of jars are exposure to light causes the vitamin content to diminish: it is often difficult to level off the lid (as a result Gerber have recently introduced a range of desserts in jars with a twist cap), they are breakable- fragments of glass can get into the jar in the production line (to offset this manufacturers have ensured that the jars undergo a technically advanced process which ensures that no foreign body or piece of glass is inside the jar). Other disadvantages of the jar as a container compared with a tin are cost and weight. Nevertheless, the aesthetic appeal of glass is surprisingly strong. In answer to the merchandising problems of baby foods - they are considered by retailers to be labour intensive and a difficult part of the store to merchandise, - both Heinz and Gerber have a colour coding system. Thus Heinz varieties are labelled blue (for strained) and red (for junior varieties.) The labelling also ties in with the two-tier price structure - thus white is used for cheaper varieties and yellow for more expensive varieties. Thus individual cans do not have to be marked. The colour key labelling used by Gerber distinguishes between strained and junior varieties and separates the Gerber range into three meal time segments - dinners, teatime savouries and desserts. Labels also include the major constituents of each variety.

A recent trend in packaging has been the use of favourite children's artists in designing packs. Thus in Nestle's Growing-Up Foods the packaging, which contains full nutritional labelling, has illustrations specially chosen to stimulate the interest and amusement of the child, drawn by the Dutch artist Dick Bruna. Early in 1974 Robinsons made a move from the traditional baby designs to illustrations made by Mabel Lucie Attwell. The apricot colour packaging used by Boots incorporates a rabbit and teddy design. Both the colour and design have been thoroughly researched. All of Boots own-label baby products (including toiletries etc) incorporate this design, ensuring that they have their own identity within the store.

In contrast, milk products have a conservative image, changes in packaging not being usual.

SMA, however, use a technique which is not employed by other manufacturers. Tins of SMA are sealed under nitrogen, thus preserving the vitamin C and iron content of the product and giving it a virtually unlimited shelf life. This technique has been used since 1955.

3) Advertising and promotion

Word-of-mouth is not the only publicity relied on. However, over £ $\frac{1}{4}$ Mn was spent on advertising baby foods in the press and on TV in 1974. Half-year results for 1975, however, show a substantial fall in spending.

	<u>1973</u>			<u>1974</u>			<u>1975 (6 months)</u>
	<u>Press</u>	<u>T.V.</u>	<u>Total</u>	<u>Press</u>	<u>T.V.</u>	<u>Total</u>	<u>Total</u>
<u>Cow and Gate</u>							
Baby Meals	6	161	167	1	149	150	12
Baby Milk	25	43	68	4	149	153	32
<u>Farley's Rusks</u>	45	152	197	54	212	266	70
<u>Heinz</u>							
Baby foods	5	162	167	-	-	-	-
junior canned	46	-	46	37	1	38	27
strained canned	60	-	60	31	-	31	16
main meals	30	387	417	2	233	235	1
baby desserts	-	-	-	5	31	36	-
others	4	-	4	5	-	5	1
<u>Nestle's Growing-</u>							
<u>Up Foods</u>	-	-	-	154	4	158	30
<u>Ostermilk (Glaxo)</u>	94	13	107	112	-	112	22
<u>Robinsons</u>							
Stage two	65	-	65	2	9	11	-
Instant baby food	65	-	65	-	-	-	2
<u>SMA</u>	14	-	14	15	-	15	10
Other	40	-	40	67	2	69	16
<u>Total</u>	<u>499</u>	<u>918</u>	<u>1417</u>	<u>475</u>	<u>805</u>	<u>1280</u>	<u>239</u>

Source: EIU estimates Retail Business November 1974/75

B. PRESENT MARKETING METHODS FOR STRAINED/JUNIOR BABY FOOD

At the present sub-chapter we will examine the marketing methods employed by the firms involved in the industry and the possible future changes which are likely to be introduced. This analysis will help us to evaluate the marketing efficiency of the producers, and the factors influencing their market shares.

The analysis will also throw light on whether there is any difference in the producers' marketing approach and which part of the marketing mix is most vital for the firms involved.

To gain a better appreciation of the differences in marketing approach to the baby food market by various companies it is necessary to bear the following facts in mind-

- 1) The potential market is definitive - there are at present more than 4 million children of pre-school age.
- 2) A decline, however, in the total number of consumers is the industries' major problem. Since 1967, Britain's birth rate has been on a downward trend and is currently at its lowest ever recorded level.
- 3) To counteract this decline in demand manufacturers have retaliated by introducing more and more varieties and by extending in certain cases the usage of their product into the toddler and under five age group. This has meant that in real terms the market has declined.

In view of the above facts it is clear that the firms manufacturing baby foods are basically fighting either for survival or stability. Under such conditions the only three weapons available to companies are

- (1) product mix and (2) marketing - mix/creative marketing (3) product

innovation. By using the above three weapons effectively and creatively companies have managed to retain their respective market shares. Because of the nature of the market no firm has indulged in aggressive selling and, by and large, firms have been on the defensive and have followed policies to minimize competition by resorting to product differentiation and in some cases market segmentation on a limited scale on socio - economic basis.

One major characteristic of the market is the rapid turnover of customers. Each new generation of customers has to be attracted afresh. However, once brand loyalty is established, it is difficult to take sales away from an established brand because of the many influences at work in this field, not the least being the amount of advice offered to new mothers by doctors, midwives, health visitors, family, friends and neighbours. Let us look at some of the recent approaches to market made by firms such as Heinz, Boots, Gerber & Nestles.

HEINZ

Three years ago Heinz re-launched their entire canned range and introduced 20 new high-protein main-meal varieties and several dessert varieties. New labelling was also introduced in order to ease the problems of shelf merchandising. This had a beneficial effect on sales. Although most of the Heinz products are packed in tins, Heinz have also been in glass jars in a small way. The company have introduced a new range of high protein foods packed in jars this summer. Product innovation is Heinz's greatest strength and this, coupled with its approach to opinion leaders and excellent exclusive distribution arrangement and the two-tier price structure (thus white is used for cheaper varieties and yellow for more expensive varieties) have helped Heinz achieve a formidable position.

BOOTS

Boots have very well exploited their quality image and the vast distribution network at their Disposal. In addition the success of Boots is partly due to its competitive prices. Boots also offers quantity discounts. Boots instant baby food which is available at 10½p costs 40p for 4. Boots seem to concentrate in the instant baby food area

mainly because there is very little brand loyalty in this new area of baby foods.

GERBER

From its expansion in U.S.A. Gerber saw that there was a definite market for apple and other flavour juices as some babies are allergic to orange and other citrus drinks. Gerber have also used dextrose instead of sucrose to sweeten their concentrated fruit juices. Doctors have, therefore, preferred Gerber juices as these do not harm children's teeth.

A good deal of interest in the baby food market has centred on packaging. The battle between Heinz, who mainly use cans, and Gerber, who concentrate on glass jars, containers. Despite its disadvantages, e.g. exposure to light causes the vitamin content to diminish, they are breakable, high cost, the appeal of glass is surprisingly strong.

Gerber have teams of managers negotiating display facilities with the head offices of the large retail concerns for special promotions.

Gerber have special arrangements for sales promotions through Co-ops: Most of Gerber's promotional activity is below-the-line with considerable emphasis on trade dealing and bonusing. A large proportion of the company's promotional expenditure is allocated to the Gerber Baby Council who deal with enquiries from the public on child welfare.

NESTLES

The company introduced Growing-Up Foods three years ago in answer to the obesity and tooth decay problems of children.

Nestles took the wise step of distributing their products through Boots on an experimental basis and the signs are that the arrangement is working out well. Nestles have been creative in their packaging designs

and this has proved effective. In Nestles' Growing-Up-Foods the packaging, which contains full nutritional labelling, has illustrations chosen to stimulate the interest and amusement of the child, drawn by the Dutch artist Dick Bruna.

Advertising

The industry spent a high proportion (37% in 1974) on press advertising. The specialist press, i.e. Mother, Mothercraft etc. is generally used. Considerable sums are spent on below-the-line activity. Heinz for instance has the unique advantage of introducing the young mothers to Heinz by distributing samples through Bounty Services Ltd. Bounty distributes samples to 520,000 new mothers a year.

Nevertheless to succeed with a baby food it is essential to have the goodwill of the medical profession, and in some cases, pre-eminently milk foods and weaning cereals, to have the recommendation of a doctor. All companies advertise in the medical press and have medical representatives calling on all the members of the profession who may influence mothers, doctors, midwives, health visitors, local authority officers and the staff of clinics and maternity hospitals.

There is little doubt that the decline in the birth rate has put limits on expansion in the baby food market. Little more can be done by the manufacturers, except along the lines they are already pursuing of trying to persuade mothers to buy specially prepared foods for a

longer period of the child's infancy. In the strained junior food area increased promotional activity and launching of new varieties may help one brand against the other, but will not do much for the market as a whole.

PRESENT MILK MARKET and MARKETING METHODS:

So far we have been examining the Marketing Methods and their future developments mostly of the firms producing strained/junior foods. Since the Milk Market at present is amounted at £20-22Mn it will be therefore imperative to throw some light at the Milk Market.

(1) Product Mix

As far as the Milk Market is concerned it faces the same problem as the strained food market which is the declining of the market size, although in that particular classification the situation is not that bad if one takes into consideration the fact that fewer and fewer women breast feed their babies. As the milk is the only food given to infants and the milk can be provided either by breast feed or by using substitute the mothers will be willing not to breast feed only if they can obtain milk products having more or less the same attributes as the breast feed milk. One can now understand that the product mix have a vital role in that particular market and the firms involved have to spend a lot of effort trying to produce a milk identical to breast milk.

Although the main emphasis should be given on the development of an identical milk substitute to breast milk the factor "convenience" must be equally taken into account because the babies' mothers will not be

prepared to give up breast feed for substitute milk if the preparation is not simple and convenient. Generally speaking the substitute milk to be acceptable by the mothers should serve the following purpose: good for the babies health (best possible substitute) convenience in use, attractive appearance to improve product image and quality reassurance. Finally the milk products should be economical. The conclusion is that although the market size is declining there are still a lot of potential mothers who breast feed. Therefore, the milk producers have to produce milk products with the above merits to persuade the opinion leaders about the advantages of their products, who can influence the ultimate buyer (mother).

(2) Product Segmentation

At the present there are the following product segmentation with their corresponding market share.

Modified Milks	2	whey based	37%
	3	butter fat based	42%
	2	vegetable fat based	21%

According to the matrix (see page) it is evident that although "plus" is quite expensive and not as good in quality as the premium and "S26", it is the leading brand in the Market (24%). The reason is (as one can see from the product segmentation) that the butter fat products are the most popular with 42% of market share. It is, therefore, logical for "plus" to have the biggest market share.

(3) Price Mix

As we have seen so far the firms involved are struggling to produce milk which is as close as possible to breast milk. Conclusively all the firms involved tend to manufacture more or less identical products having, therefore, high elasticity of demand.

So if a firm decides to cut down the price the other firms have no other alternative but to follow up, because if they do not do so they are bound to lose their customers.

To support the above argument we have to mention what happened on 22nd March 1976 when the government announced that the unmodified milk was not suitable for babies under 6 months and the traditional unmodified baby milk 1, baby milk 2, ostermilk 1, ostermilk 2 were all withdrawn from the market with the result the competition removed from the withdrawn products to other products which since then became competitive so their prices had to be cut down i.e. the premium from 88p went down to 75p and clinic price from 65p to 59p.

Since 1971 we have observed rapid price increase due to the fact that the U.K. has joined the EEC and the milk price was forced to go up to match the European price level. That rapid increase continued until the full price adjustment was completed. Therefore, the baby milk price increase was a logical consequence. Below we give an example to see the price increase in two years' time_

	Nov/Dec 1974	Jan/Feb 1975	March/Jul 1975	Nov. 1976
V. Formula	45p	53p	57p	76p
Pre mium	69p	69p	74½p	73.7p

At the moment the most popular products are the following:

	<u>Whey</u>	<u>Butter Fat</u>	<u>Veg. Fat</u>
<u>Cow & gate</u>	Premium	Plus	V. Formula
Market share	19%	24%	9%
<u>A Glaxo</u>	Product developed not launched	O.C.F. 16%	-
<u>B Glaxo</u>		Ostermilk 2 2%	
Market share	-		
<u>C Wheth</u>	S. 26	-	SMA
Market share	18%		12%

(4) Promotion Mix

In contrast to the intense competition in product quality and price, advertising cannot be considered as an area where hard competition exists, for the following reasons.

First because of the nature of the produce the firms cannot employ hard selling techniques, as it is not ethical for the firms to advertise to the mothers not to breast feed their babies.

Second the ultimate user as well as the buyer are not making the buying decision which is mostly made by hospital, clinic, midwife, G.P., Doctor, Editorial Company Advice, Mother (2 - babies).

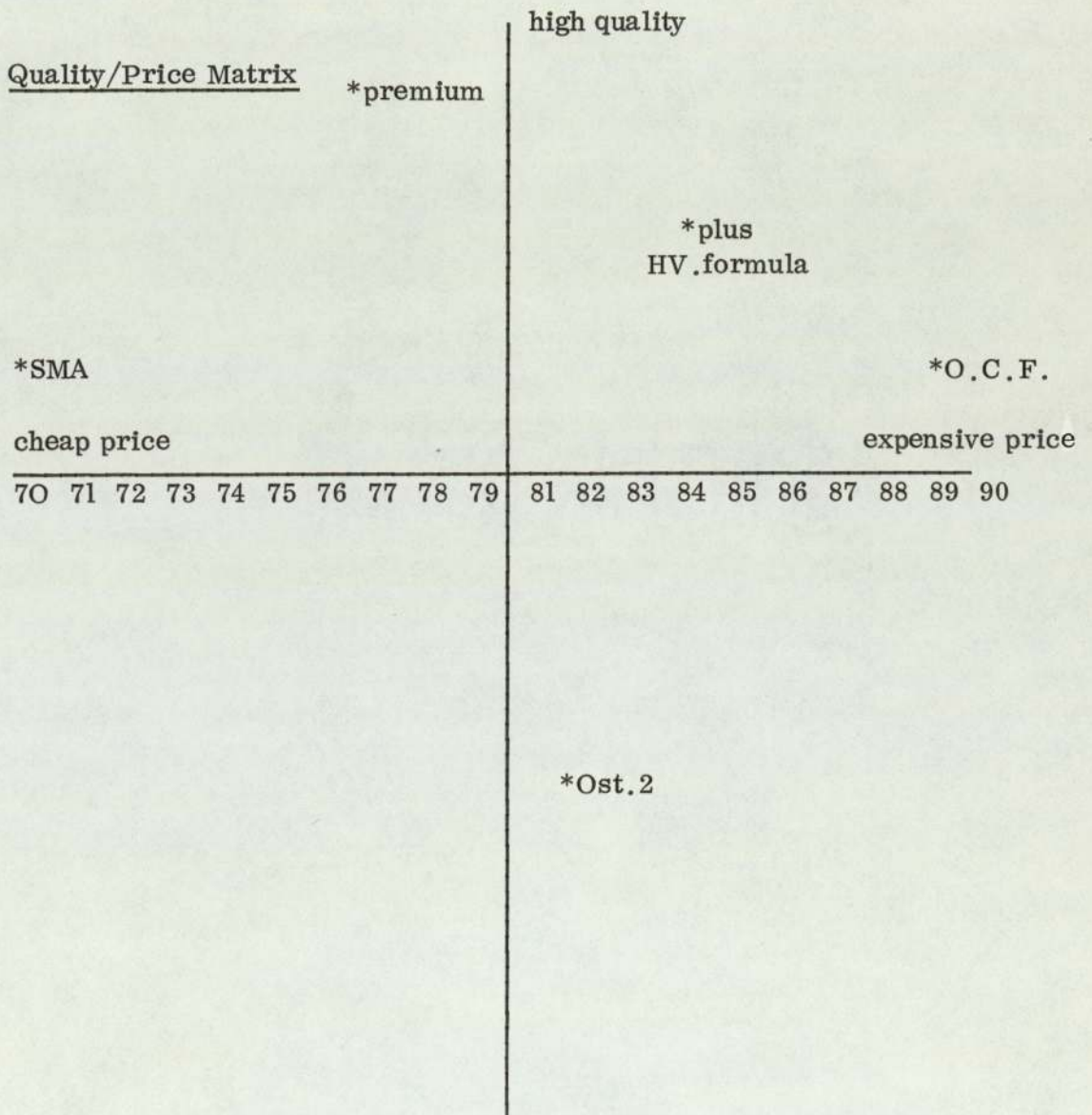
Still, although the companies involved should not spend a lot of money on advertising, they do for the following reasons. a) to build up company's image, b) to satisfy the channels of distribution and also to obtain exclusive stores, c) to influence the opinion leaders and to help the company's visitors and d) to maintain the market share and to support the new products.

C) FUTURE CHANGES IN MARKETING METHODS

a) Milk Classification

(1) Future product development

The expertise in the milk area recon minor formulation changes in form with possible orbduction of liquid and milk soya based.



(2) Future Price Trends

After the milk price of the U.K. had matched the European equivalent we reckon the prices will still rise but with decreasing rate: Therefore, we believe that the prices will increase at the rate of 20% for 1977/78, 12% for 1978/79 and 10% for 1979/80. At the present the prices for the most competitive brands are as follows:-

Cow & Gate	Premium 77p	Plus 84p	Veg.formula 82p
A Glaxo	-	O.C.F. 89p	-
B Glaxo	-	Oster. 2 82p	
C Wheth	S.26 77p	-	SMA 7Op

(3) Future distribution changes

The withdrawal of the unmodified milks has made clinics important source of consumer purchase.

(4) Future Promotion changes

We are of the view that no important changes of the promotion mix will take place, therefore the firms involved will continue to focus their influence on the opinion leaders (doctors, clinics, midwives etc) who can then influence the ultimate buyers (mothers).

(5) Distribution

All the firms involved use the same channels of distributions and at the present the baby milk moves through clinics 35%, chemists 27%, Boots 35%, Groceries 3%. The only exception is that Cow & Gate do not go through the Groceries .

The foregoing discussion confirms that the firms are mainly engaged in efforts to sustain their respective level of sales and profitability. In the next sub-chapter an attempt is made to see what steps are being taken by firms to introduce new promotional methods in the milk/strained/junior baby food areas .

b) STRAINED/JUNIOR BABY FOODS

1. Product Mix

Heinz expect to maintain their present Market share and profitability they have to expand their product mix so that to retain and attract new buyers. Heinz also think that, since clinics tend to be the most effective channel of distribution it would be prudent to produce special baby food brands for clinics because if they do not do that then other companies may enter this channel. They are also thinking of introducing special breakfast cereals for children up to the age of six years. They have also realised that the tins are not favoured by doctors any more and that this particular package is losing ground to jars which have the doctors' approval.

2. Price Mix

Because of the strong competition among Heinz, Gerber and Boots, Heinz, to counteract the ability of Boots to offer cheaper baby food, are thinking of cutting down advertising expenses, thus offering better margins to grocers through a new low price baby food. The aim of the pricing policy is to induce more grocers to sell Heinz baby products exclusively and to attract mothers in the lower income bracket.

Since Heinz are the dominant company in the baby food market their pricing policy will result in putting pressure on their competitors and especially on Gerber to introduce more competitive prices.

3. Promotion Mix

The areas where there is going to be hard competition among the firms involved are Product Mix and Price Mix, and we are of the view that

advertising will not play a significant role in promoting sales .
Therefore, it is likely that advertising expenditure will decrease
so that the firms can support new product development plans and
competitive pricing policy .

4. Distribution Mix

Since the two major companies in that particular market, Heinz and Gerber, are going to adopt low pricing policy to attract the mothers in the lower income strata, and since there will be an effort of the firms involved to introduce new products to clinics, the fact that the grocers as well as clinics are going to gain ground against the other channels is apparent. Therefore the analysis of the present and future marketing methods is important because this will show what areas of the product mix the companies involved are going to adopt, to carry out their policies in the future. Conclusively one can realise that the product mix and the price mix will play a vital role for the firms involved and one can also visualise the clinics as an important future channel of distribution .

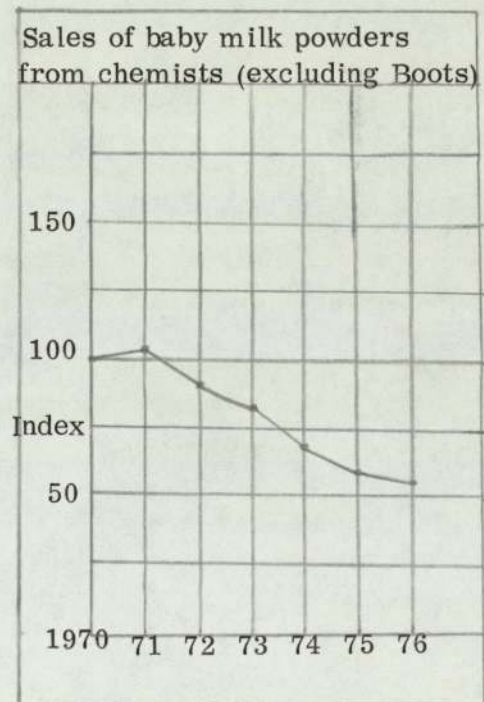
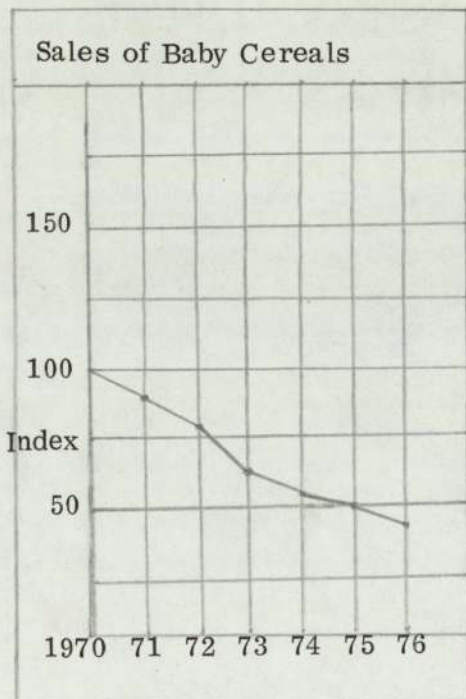
CHAPTER 6

FUTURE OF THE BABY FOOD INDUSTRY

This chapter discusses the future of the baby food industry on the basis of interviews with the management of the main companies. It is necessary to form an idea about the future profitability of the industry to ascertain how important the product innovation is going to be and whether diversification of products would be a prudent policy for the companies concerned.

All the main companies believe that the market for baby food will be declining substantially in the coming years. The manufacturers of baby food admit that the industry is passing through a stagnant situation despite every conceivable effort on the part of manufacturers to improve their respective positions in the market.

Both Heinz and Boots admit that the consequences of the fall in the birth rate, together with the effect of those trends have already been adversely felt by them and other manufacturers: between 1971 and '74 the baby food market dropped by 38% and the baby milk fell by 50% in volume in the last six years. The carefully applied promotional techniques which have been used by manufacturers combined with the launching of new top quality products, has not offset the fall in the market. The following graph illustrates the decline in the sales of baby milk and baby cereals.



DECLINE IN SALE OF BABY FOOD

Source: Marketing Journal
March 1977

From the information below, taken from the Marketing Journal, March 1977, we can see that it is not only the baby food industry which has suffered from the decline in the birth rate but also other industries involved with babies.

"About ten years ago, there were some thirty manufacturers of prams in the UK - now there are only four major producers left. The declining birth rate is an obvious reason for this situation but the changing fashion in prams is certainly of great importance too.

Toys and games manufacturers have felt a decline in demand too, but sales of children's wear have not been affected (yet), presumably; because children's needs are the last neglected in times of economic difficulty and because of the fashion element entering this category." Heinz are of the view that for them to maintain their present market position and profitability they have to expand their product mix to retain existing customers and to attract new ones. This the company thinks is the only way of minimizing competition, maintaining their image and stimulating the channels of distribution. It was confidentially revealed that Heinz are considering the worthiness of producing special baby food brands for clinics because the company feels that if it does not do this then other companies might enter this channel.

Heinz are also further considering sale of baby food in jars as they expect competition from Gerber to increase. Research has established that doctors and hospitals prefer to recommend food sold in jars than in tins because tins are more prone to contamination than jars. Heinz admit that the biggest threat would come from Boots because of their reputation, resources, own national distribution network and their

ability to offer cheaper baby food. Boots' reputation among doctors and public is so good that despite cheaper prices there is this assurance of quality of goods sold by them.

Heinz's strategy is to intensify its promotional effort at grocery level by inducing more grocers to sell Heinz baby food products exclusively. This they propose to do by offering additional varieties of baby food aimed at mothers in the lower income strata and also by introducing special breakfast cereals for children up to the age of 5. Heinz have confidentially hinted that they propose to cut down advertising by 15% and pass these savings on to grocers by offering them better margins and new low-price baby food.

Both Gerber and Heinz admit that advertising does not play a significant role in promoting sales. This is because the person who buys the food (the mother) is influenced by outside agencies such as the clinic, the hospital, the midwives etc. But both manufacturers feel that advertising motivates the sales force, the retailers and promotes brand image. This sort of advertising indicates to the sales forces as well as the channels that the company is doing all that it can to promote sales. They also admit that at times some of the advertising is simply counteractive. Gerber is planning to introduce some additional baby food lines purely as a counter to likely new competition from Heinz.

Gerber for financial reasons (inability to offer better financial incentives to stores) has found it difficult to attract more grocers to sell its lines and is marking time until it is in a position to offer more varieties as incentives to grocers. Gerber, like Heinz, is becoming increasingly conscious of the threat that may come from Boots and is therefore planning to introduce more competitive prices. At the same time Gerber have started diversifying into food for adults. There is a limit beyond which marketing cannot be really creative. In a declining population market for baby food can be temporarily sustained by one or a combination of the following factors:

- 1) New variety of baby food
- 2) Inducing stores to sell exclusive by offering better margins.
- 3) Price Promotions/Contests.
- 4) Introducing products to clinics.
- 5) Intensifying communication with doctors, midwives, health visitors etc.

Almost all companies are doing all the above but Boots undoubtedly have a distinct advantage because of their reputation, resources, wide national distribution network and, last but not least, its ability to offer low price quality food. Finally, Boots have a special rapport with doctors and hospitals. Realising the threat from Boots, Heinz is seriously considering diversification. It is alleged that Heinz is considering some sort of understanding with Gerber to thwart Boots' effort to make a major inroad into market shares of these two companies.

From the analysis so far, one can understand that the future of the baby food industry as well as the firms involved appears to be gloomy. The only exception are Boots which we reckon will dominate the industry soon, for the reasons which we have already explained. The Boots' dominance will force the present leading firms either to diversify or merge to be able to cope with increasing pressure from Boots. Obviously one does not expect new firms to enter the baby food industry. The factors which put constraints for new firms to enter the industry and create threats for the existing firms can be classified into four groups a) social b) economic c) technology and d) Government.

a) Social factors.

As we know the major problem for the baby food industry derives from the declining market size and the indications predict that the birth rate will not yet improve so the declining of the market size will continue in the future apart from a small break from 1979 to 1981, and the sequence of the declining market size will be the further decline of the volume of the sales unless other social factors may iron out the declining of the market size effect. These social factors which could improve the situation are the number of potential buyers and the willingness of the working mothers to work overtime and weekends. Our impression is that there are not enough potential buyers or mothers who can help the situation and the working mothers are reluctant to work overtime and weekends.

Another problem for the existing companies or for the new ones who may be thinking of entering the industry arises from the pressure group growth coming mainly from Boots and clinics. Boots as they control and

we expect them to increase control over the channels of distribution are the major threat for the existing firms. As far as the clinics are concerned we expect to attract the interest of the firms involved because as we said above the clinics are to become the major channel of distribution. Boots stand the best chance to capture the clinics as having good products at low prices. Nevertheless no-one can be convinced that the clinics will not start producing their own brands. If that happens then all the firms involved will feel the consequences. The only encouraging point is that the National Health may be re-organized, (we talk about that later), and that will result in clinics losing control over mothers.

If the re-organisation of the National Health does not occur and Boots decide not to carry their own brands then Boots are going to benefit most as they are able to offer low price and good products which meet the Medical Staff approval. For new firms to enter the clinics will be very difficult to persuade the Medical Staff and to offer their brand in competitive prices so to break through the clinics the new firms need a lot of marketing effort and since there is not a prosperous future to make up the possible present losses such an operation will not be justifiable.

Hyper-Markets. The increasing importance of the hypermarkets is another social factor which we should take into consideration. If the hyper-markets become the main shopping places then Heinz and Gerber will be better off than Boots as the above firms have already experienced selling forces and that is needed to push their products into the possible new channel of distribution.

New companies do not stand a chance to face the challenge from the existing companies in trying to push their products into hyper-markets.

b) Economic factors.

The inflation is another factor which will influence the future growth of the baby food industry. We expect only in the milk classification the prices to go up for the next three years by 20%, 12% and 10% respectively. We expect the inflationary tendency to cause further decline in the sales volume because as the prices of the baby food products are going up the mothers will find more economical ways to prepare the food for their babies themselves.

c) Raw Materials and technological factors

At the present, as we have seen, the baby food industry is an oligopoly. Existing firms buy raw material in bulk with a view to striking a price bargain and they have been doing so for several years. This cannot be achieved by new firms should they try to enter this market because of the buying power of the existing firms. It is very likely that Boots would put further pressure on prices to eliminate competition by further resorting to bulk purchases. Nevertheless the disadvantage which arrives from inability to buy materials at cheaper prices cannot be offset by sophisticated technology as such technology is not necessary in the baby food industry for two reasons.

First, the nature of the baby food production does not require sophisticated technology and even if sophisticated designs were applicable the plant mechanisation problem will not encourage the producers to use such advanced technology since the volume of sales are decreasing the fixed cost and ultimately the per unit cost will increase.

d) Government barriers

The main threats which may come from various Government legislations are: E.E.C legislation and the legislation which may be imposed for the re-organisation of the National Health.

As we know the European food prices as well as the baby food prices are at higher level than the U.K. ones so it will not be surprising if the European committee force the British Government to bring the baby food prices at the same level as the Europeans. If that happens one can expect decrease in the volume of sales. Equally important is the threat coming from possible re-organisation of the National Health. So far the young mothers give birth in the hospitals free of charge and as they are staying at hospitals for quite some time the influence of medical staff and clinics is obvious.

Possibly, according to the opinion of the National Health officials, in the future the mothers may have to give birth at home paying themselves for the medical expenses. If that happens, on one hand, the importance of the clinics will become less apparent, on the other hand the young mothers in the face of the birth expenses may decide to prepare the food for their babies themselves.

Our conclusion is that such a legislation will benefit Boots because the importance of clinics and particularly the danger of the clinics starting

to produce their own brands will be eliminated and they can capture most of the market since they have their own channels of distribution, quality products and low prices .

PROJECTION OF FUTURE SALES

a) Milk Classification

According to a confidential interview I have had with the Marketing Manager of Cow and Gate, the prices of the milk products will increase at the rate 20%, 12% and 10% for the years 1977/78, 1978/79 and 1979/80 respectively. At the same time sales in units will drop by 5%, 25% % for next three years respectively.

Therefore the growth will be as follows:

a) In Units

<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>
24.2Mn	22.9Mn	18.0Mn	24.2Mn

b) In Value

£22.2Mn	£22.8Mn	£24.9Mn	£27.4Mn
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b) Strained/Jun ior Food Classifications

Heinz are of the view that the market for strained food would continue to decline for some years to come and expect the value of the market to appreciate only in inflationary terms by 5 to 7% (not in real terms). Heinz and other manufacturers have not been able to make any headway in the market mainly because of increasing number of mothers are tending now to prepare their own baby meals. And also together with decline in birth rate and the advice given by the Medical profession to keep babies on milk alone for a longer period of time has caused the

market to decline.

Heinz are not very hopeful of maintaining their market share.

There is no doubt that the decline in the birthrate has put limits on expansion in the baby food market. Little more can be done by the manufacturers, except along the lines they are already pursuing of trying to persuade mothers to buy specially prepared foods for a longer period of the child's infancy. In the strained/junior food area increased promotional activity and launching of new varieties may help one brand against the other, but will not do much for the market as a whole.

The market is not only unusually complex from the point of view of promotion and distribution but is also extremely sluggish, and over the past 35 years has shown remarkable loyalty to the leading products in the field, most of which have been dominating the market since before the last war. New products, even when launched by companies prominent in other sectors, have not made a dramatic impact. This, together with the natural limitation imposed by the market size, will probably ensure that no new company will enter the market. In view of the above, some manufacturers have begun to diversify and have entered other sectors. Gerber, thus, have launched a range of baby clothes i.e. bibs, plastic pants etc., in Scotland on a test market basis. The most important event in recent years has been the increase in the Boots' share of the trade. This is likely to increase further.

On the optimistic side, the Registrar General now predicts a steady rise in the birth rate during the next decade when a large number of women will enter the peak childbearing age (these are from the 'baby bulge' of the late 1940s and 1950s). Also, the recent publicity given to the lack of roughage in western diets may give cereals, or at least whole grain ones, with their high fibre content, a shot in the arm.

Our final conclusion is that the growth has remained stagnant although the manufacturers have been doing their utmost to improve the situation. The reason for this is that the variable on which the growth largely depends (birthrate) is on the decline. The companies involved will continue to face the problem of survival for many years to come because the birthrate, apart from short pause, will continue to decline.

The thesis has also revealed that the baby food industry is under an oligopolistic situation and the most important product classification is the strained/junior foods (£28m) followed by milk products, (£12m) rusks, (£4m), syrups £3.5m) etc.

Heinz and Gerber are the leading companies of the strained/junior foods classification with market shares of 75% and 18% respectively.

Cow and Gate, Glaxo and John Wyeth are the major milk producers with market shares of 45%, 35% and 16% respectively.

Farley's are the only major company in the rusks classification with 92% market share.

Finally Delrosa, Robinsons Optrose and Boots are the leading companies in the syrup area with market shares of 43%, 22%, 21% and 10% respectively.

We have also concluded that to counteract the decline in the market size the firms have retaliated by introducing more and more varieties, and by extending in certain cases the usage of their products into the toddler and under five age group. The available weapons for the companies to face the situation are: 1) product mix; 2) marketing mix/creative marketing; 3) product innovation. By using the above three weapons effectively and creatively companies have managed to retain their respective market shares. They avoid aggressive selling because of the nature of the market, and they also try to minimize competition by following product differentiation.

We have also seen that all companies involved put a lot of effort into gaining the support of the medical people and in carrying out effective merchandising schemes. These in turn influence the ultimate buyers (the mothers).

Finally we believe that the market for the baby foods will be declining substantially in the coming years despite every conceivable effort on the part of manufacturers to improve their respective positions in the market.

We cannot see any new firms entering the baby food industry because of the following barriers a) social b) economic c) technological d) Government.

Boots will be the only company which will enjoy good prospects because of their vast distribution networks.

- 1) Annual food survey
- 2) General office of Statistics
- 3) Blue Book (Income and Expenditure)
- 4) Business retail 1974/75
- 5) Marketing Journal 1977
- 6) Customs and Excise