How McCain responds to changes in the external environment

Introduction

Businesses have a number of **objectives**. Typical examples include:
- winning the biggest share of the total market
- increasing sales
- satisfying customers
- making profit for shareholders.

A business' ability to meet these objectives depends on two main groups of factors:
i. the internal strengths of the organisation – for example being able to make the right products in an efficient way
ii. being able to identify external influences in the **business environment** and on its consumers and adapt accordingly.

The external environment today is changing fast. This case study shows how McCain needs to identify changes in the external environment. It must then rise to the challenges posed by change. The external environment consists of everything outside the business.

The McCain product most people recognise is chips. McCain is the world's largest producer of chips. McCain buys 12% of the British potato crop. McCain is also one of the world's largest frozen foods companies.

McCain is a privately owned company with a strong **market focus**. This means that it carries out research to find out what consumers want. It then uses this market information to create products that consumers want to buy.

McCain's business focuses on frozen potato products and frozen light meals. It provides consumers with a wide variety of cut and seasoned potato products through UK retailers, like supermarkets and restaurants. These include roast potatoes, potato wedges, hash browns, waffles and potato croquettes. McCain produces more specific potato shapes like Potato Smiles, Crispy Bites and Sumthings (shaped as numbers) which appeal to younger consumers. McCain also makes pizzas.

Chips have come a long way since the potato was first brought to this country by Walter Raleigh in the 17th century.

By the 1850s fish and chips were sold in the streets and alleys of London and in some of Britain's industrial towns.

If asked to name a typically English dish, most people will say 'fish and chips'. Chips are produced in lots of different shapes and sizes, ranging from those deep-fried in fish and chip shops to today's oven chips.

17th century	Potato introduced by Walter Raleigh
1850	Fish and chip shops in London and major cities
Late 20th century	Development of the oven chip
2005	Development of new varieties of low fat and salt content oven chips

CURRICULUM TOPICS
- Marketing and the business environment
- Communication
- Decision making and stakeholders
- Control of business activity

GLOSSARY

Objectives: the end purposes that an organisation sets out to achieve.

Business environment: all of those factors that influence a business that are outside of the control of the business.

Market focus: concentrating on the wants and requirements of customers.

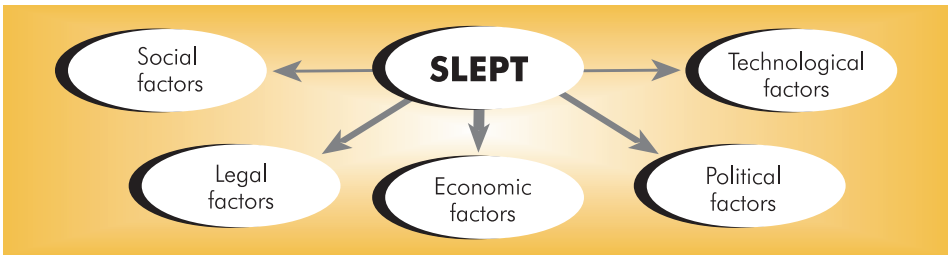
One of the biggest environmental factors affecting McCain in 2005/6 was the growing concern about obesity, particularly in children. This case study shows how McCain has risen to the challenges of this debate and other external challenges. McCain's view is that its chips can and do play a role in a healthy balanced diet and it is continually finding ways to ensure McCain products are as healthy as possible.

SLEPT analysis

In order to be able to understand its customers' requirements and respond to other changes, it is important for a company to analyse its environment. A **SLEPT** analysis is a tool that helps to analyse the environment.

To create a SLEPT analysis the company needs to examine the key environmental factors that affect its business.

These are broken down into:



Having carried out the analysis it must then take action to respond to the important changes that have been identified.

Of course, some of the factors in the SLEPT analysis can be placed under more than one of these headings.

The following analysis outlines SLEPT factors and indicates some of the changes that McCain has made and is making.

Social trends are one of the key factors affecting a business. Consumer buying patterns are determined by trends. Just as the demand for some popular clothes are determined by fashion, **demand** for food products is determined by eating patterns.
Eating habits are always changing. Currently one in four of all British potatoes consumed are eaten as chips.

Recently McCain and other food producers have seen falling sales as a result of campaigns to encourage healthier eating such as that spearheaded by Jamie Oliver.
McCain has responded to this challenge in two main ways:

- by reducing quantities of salt and oil throughout its potato products. McCain argues that these figures are very low already. For example, McCain's Oven Chips contain only 5% fat, 0.8% saturated fat and 62mg of sodium in every 100g portion. They are made with only natural ingredients - specially selected potatoes and sunflower oil.
- by seeking to get the message over that its chips are not unhealthy. The message that it communicates through public relations campaigns and advertising is that McCain products are made from simple ingredients such as whole potatoes and sunflower oil.

A key way in which McCain has responded to changing customer tastes has been to improve the nutritional make-up of its products. Chips are now pre-cooked in sunflower oil instead of regular vegetable oil to reduce saturated fats. There is no added salt in oven chips and added salt has been reduced by up to 50% in other potato products.

GLOSSARY

SLEPT: a study of social, legal, economic, political and technological factors that affect a business.

Social trends: patterns of change in social behaviour, for example in fashions and tastes.

Demand: the desire to buy a product backed up by the money to purchase that product.

Legal factors

Responsible businesses not only abide by the law, they seek to create standards above minimum requirements. McCain has to be aware of a number of **legal factors**. The government's Food Standards Agency has recommended that firms put 'traffic light' labels on food to help people understand what they are buying and to help them make the right choices.

- Red represents high levels of ingredients such as fats and salts.
- Green represents low levels.

Also featured on the labels are Guideline Daily Amounts (GDAs) which show how much fat, saturated fat, sugar and salt each product contains. This helps the consumer to achieve a consistently balanced diet.

McCain has put 'traffic light' labels on its British products as a response to consumer concerns about healthy eating. All of McCain's potato products are able to display the green label for saturated fat and none of its products show a red label.

Oven Chips

		per 135g serving oven cooked	% of GDA
MED	FAT	6.6g	9%
LOW	SATURATES	0.8g	4%
LOW	SUGAR	0.8g	1%
LOW	SALT	0.3g	5%

Homefries

		per 135g serving oven cooked	% of GDA
MED	FAT	8.4g	12%
LOW	SATURATES	1.1	5%
LOW	SUGAR	0.7g	1%
MED	SALT	0.9g	16%

In the UK, advertising of products is supervised by a voluntary body within the advertising industry. It is called the Advertising Standards Authority (ASA). McCain makes sure that all its advertising sticks rigidly within the requirements of the ASA. The ASA sets out that all adverts must be:

- legal
- decent
- honest and
- truthful.

In addition McCain's products comply with a range of laws, including:

- The Food Safety Act, covering the way in which food is prepared and served.
- The Trades Descriptions Act, which states that goods and services must be exactly as described.
- The Weights and Measures Act – governing such aspects as giving the right weight on packs. For example, McCain's oven chips come in packs of 454g, 907g, 1kg, 1.5kg, and 1.8kg.

McCain takes these responsibilities very seriously. It is important to build a reputation for honesty and fair play.

Economic and political factors

Economic factors include changes in buying patterns as people's incomes rise. For example, as incomes go up people prefer to buy what they see as superior varieties of a product type. We see this with the development of ready prepared foods.

As people become cash-rich and time-poor they prefer to switch to ready meals and simple to prepare foodstuffs that they can quickly heat in an oven or microwave. Rather than buying potatoes and making chips at home or taking the time to go to a fish and chip shop, it may be seen as more desirable to buy oven chips. Of course, it may be cheaper to make your own chips by peeling and cutting up potatoes. However, with growing affluence people prefer ready prepared oven chips. McCain has risen to this challenge by creating a range of varieties e.g. straight cut oven chips, Homefries (seasoned chips), roast potatoes and wedges, to appeal to a variety of customers.

On **political factors**, the UK government has increased the pressure on food suppliers to come up with healthier foods. The government publicises and supports healthy eating by creating initiatives such as 'Healthy Schools'. This encourages pupils to think about the choices they make when choosing what to eat. Responsible eating and healthy exercise encourages everyone's health and well-being.

McCain supports the government's initiative. It believes that the foods that it provides, including potato based products, are nutritious provided that they are prepared in a healthy and simple way.

GLOSSARY

Legal factors: changes in the law, for example tougher food safety laws.

Economic factors: changes in the wider economy e.g. changes in spending patterns and incomes.

Political factors: changes arising from government initiatives or public opinion.

GLOSSARY

Technological factors: changes in the way in which products are made and processes are carried out.

Technological changes

Food technology is one of the most dynamic technologies in the modern economy. Food technology involves researching and developing new techniques for making products as diverse as ice cream, probiotic yoghurt, frozen oven chips and muesli bars. Each of these products involves finding technical solutions to problems such as how to:

- freeze while retaining flavour
- maximise natural nutritional characteristics
- turn a frozen product into an oven heated product.

McCain is continually being faced by new challenges from **technological factors**. It should be no surprise therefore that McCain's food technologists were only too happy to rise to the challenge of making its potato products even healthier. McCain needed a solution that not only reduced fat and salt, but also kept the sort of flavour that would delight customers.

The solution was to use sunflower oil which reduced saturated fats by 70% across the whole product range. Food technologists know that by working with real potatoes they are dealing with a product with a very strong nutritional pedigree. For example, it is a little known fact that a potion of chips contains four times more vitamin C than a portion of grapes. As a product, potatoes are the second most important staple food in the world today (rice is the first), providing essential carbohydrates that help us to generate energy.

Potatoes also have tremendous future potential. In 1995 the potato became the first vegetable to be grown in space. NASA worked with top scientists to develop super-nutritious and versatile potatoes. These can be used to feed astronauts on long space voyages and NASA hopes one day that these will feed space colonies.

Conclusion

Change is the one constant in the business environment. Change comes from a number of sources – Social, Legal, Economic, Political and Technological. This case study has illustrated how these changes have affected McCain, particularly in relation to its core products.

Because McCain is a market focussed company it recognises that it has to respond to what its consumers want. There are clear indicators that today's consumers want to live a healthier lifestyle. Consumers are increasingly aware of food content and food issues. More and more people look at food labelling and read information in the press about what is good for them. They listen to people like Jamie Oliver and government spokespeople. They listen to advice from teachers and nutritionalists. The challenge has been, and continues to be, to prepare chips in the healthiest way possible. Fortunately for McCain, it has market researchers and food technologists who enable the company to keep in tune with the changing environment.

McCain's advertising supports the company's message that chips are nutritionally acceptable provided they are made in the right way. The challenge now is to keep listening to customers and to the external environment in order to continue to give consumers the best value healthy chips and other food products. Of course the choice rests with the consumer. What do you think? Is McCain doing the right thing?

Questions

1. Describe the measures that McCain is taking to inform the public about the nature and nutritional qualities of its chips.

2. Why is it important for a business organisation like McCain to engage in communication exercises about its product?

3. What actions has McCain taken to alter its product?

4. What additional measures could McCain take to educate and inform customers and potential customers about the qualities of its products?

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