Critical strategic analysis forecast: A case study of Post Holdings Buying Weetabix company

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ABSTRACT: There is no denying the fact that businesses have evolved due to globalization and technological advancements. Many organizations are therefore confronted with increasing levels of challenges in the business world. As a result, companies must develop strategic plans not just for their sustainability, but also an expansion of their consumer base as well as increase their competitiveness and profitability. Business expansion through mergers and acquisitions is one of such innovative strategies developed by companies to remain competitive. Many companies are now exploring this approach as the strategic choice that can enhance the growth and survival of their organizations. This paper presents the analysis case study of the acquisition of Weetabix by Post Holdings and discusses the strategic position of the company, evaluating their key stakeholders, giving analyses of the external factors driving this strategy as well as the industry factors impacting the strategical approach utilized. The strategic position of the company was determined using Porter’s generic strategy and Bowman’s strategy clock indicating the differentiation leadership and clock position 4 - differentiation strategy respectively based on perceived added value of their products. Power-interest grid developed confirmed that Post Holdings, with the highest shares, exhibit the highest influence in matters relating to the acquisition and decision-making process. An external analysis, in the form of a PESTLE strategic framework, was conducted to identify factors that could possibly obstruct the smooth running of the business. Finally, the internal analysis examines the degree of Post Holdings/Weetabix’s competitiveness using Porter’s five forces.

Keywords: Acquisition, business, companies, competitive, industry, merger, organizations.

INTRODUCTION

Scope

In the current technologically driven world of business, characterized by dynamic and complex forces fostered by globalization, companies who aspire to maintain global competitiveness must develop robust strategies by expanding their operations and creating new opportunities (Passaris, 2006). As a strategic move to extend a territorial dominance in the cereal market across continents, an American based consumer-packaged cereal producer company, Post Holdings acquired Great Britain cereal processing brand, Weetabix from China’s company known as Bright Foods Group (Geller et al., 2017). Lee and Lieberman (2009) find out that acquisition is one of the strategic tools for entering into new markets in a new region which may not be so easy to penetrate as an entirely new business entrant. Has the ambition for international expansion given Post Holdings direct access to the United Kingdom UK cereal consumption markets successfully?

Objectives

The purpose of this paper is to critically study the acquisition of Weetabix by Post Holdings as a case study by:

- reviewing the strategic position of the company,
- evaluating their key stakeholders, and
- conducting internal and external analyses of the industry.

Methodology

The authors utilized the existing body of strategic management tools to appraise the strategies of the company as follows:

- Adoption of Porter’s generic strategy and Bowman’s strategy clock to determine the strategic position of the company,
• Development of Power-interest grid to examine the stakeholder analysis of the company,
• PESTLE strategic framework to evaluate the external industry analysis.
• Internal analysis of the company to identify their resources and capabilities and how they can be improved to remain competitive in the market.

STRATEGIC POSITION OF THE COMPANY

Considering Galal (2013)’s description of strategic positioning as an important state of recognizing an organization’s specific turning point within its industrial domain. This is because it provides solid comprehension of the industry that the organization operates in and boosting the competitive leverage over its competitors. Post Holdings decision to acquire Weetabix was well thought-off being earlier owned by Bright Food Group, a Chinese company whose strategic business location may have affected the company’s desired projection.

However, Johnson et al. (2008) perceive strategic position as being concerned with identifying the strategy of the external environment, the resources/capacity of the company, and the influence and expectations of the stakeholders. Also, Morrison (2011) supports this by recognizing strategic position as an external review of an organization within the same sector in the short, medium, and long-term futures. From this angle, it is possible that Post Holdings must have considered the changing environment and the external (UK) markets with the ultimate goal of adding value to Weetabix. Post Holdings considered mobility to remain productive, cost-effective, and profitable in its short and long-term growth plan. As such, an excellent indicator of identifying the strategic position of a company is when a good comparison of the competitors and the needs of the customers are cautiously recognized. All these translate to the company’s competitive advantage over others when superior performance is achieved through value creation. Post holdings must understand and evaluate its strategic position in the target markets in terms of business competitive pressures to ascertain the profitability of their actions or inactions (Post Holdings Annual Report, 2017).

In this report, we would deploy Porter’s generic strategy and Bowman’s strategy clock to analyze the position of the company’s operational environment.

Porter’s model of generic strategies

Michael Porter suggested four “generic” business strategies that an organization can adopt to achieve a competitive edge as indicated in Figure 1 (Porter, 2008).

When the center of attention of an organization has to do with gaining market share based on being the lowest-cost producer (that is, producing cheap but basic products), a Cost Leadership strategy is said to be adopted (Porter, 2008). The big question is how then will the company make massive returns? Companies adopting this strategy usually focus on internal efficiencies continually by involving in mass production exploiting the economies of scale resulting in high-profit margins. This gives them the opportunity to sell their product below the average price, allowing them to gain more market share. Ryanair in the airline industry as well as RedMi in the smartphone industry are typical examples of companies who have built their reputation and market leadership based on this strategy. However, companies adopting this cost reduction approach must not overlook customers’ needs and not oblivious of the fact that their rivals may successfully copy their strategy especially with constantly changing technology.

When the center of attention of an organization has to do with producing unique products with a broad customer base, a Differentiation Leadership strategy is said to be adopted (Porter, 2008). Companies associated with such a strategy charges their customers higher prices for their superior yet persuasive products. A review of the Weetabix market reflection reveals that Post Holdings will excel in the breakfast cereal market by adopting the differentiation strategy with continued concentration on ensuring distinctive product value in the minds of their customers (St. Louis, 2017). Besides, in the BBC Business report (2017), Weetabix was reported as being a leader in the UK breakfast cereal industry with factories in Europe, East Africa, and North America that employs differentiation strategy to market its products globally across over 80 countries. Nevertheless, Weetabix must not be unaware of the competitive nature of the UK cereal market since customers might conclude that the uniqueness or value of the product is not worth the high prices.

When the center of attention of companies is focused on developing a lower-cost advantage, but only within a niche market, a Cost Focus strategy is said to be adopted (Porter, 2008). Companies associated with such a strategy understand the needs of their small target market and can uniquely cut costs to meet these needs. Let us consider a US-based fast-food company, Checkers that operates on a drive-in the only basis. Its operating cost is cheap as well as its overheads. While we get fascinated by this approach, companies adopting this niche market strategy may be targeted by broad market firms with more outstanding economies of scale. In fact, rivals can even subordinate the supposed niche into smaller niches.

Finally, in the Differentiation Focus strategy, the company seeks to differentiate within a very narrow market segment but can provide products that are clearly unique from its competitors who may be targeting a broader customer base. Apple Inc. has been able to produce significant product differentiation built around its brand based on this strategy. Notwithstanding, it possible to have a big organization with the intention of targeting this niche market with remarkable economies of scale, thereby dividing the niche market into smaller units.

Based on these assessments, the differentiation leadership strategy of Weetabix will be a key success factor in Post
Holdings acquisition of the company upon further evaluation of organizational fitness.

A representation of the mapping of typical organization analyzed is shown in Figure 1 for illustration. However, organizations must configure their value chain to match whichever of the generic strategies they intend to adopt.

**Bowman’s Strategy Clock**

Cliff Bowman postulated that companies can critically access the strategic positioning of their brand in the market as well as determine the position of their rivals based on their price and perceived customer value. On Bowman’s Clock, there are eight classified possible positions to analyze the position of the company’s products.

Bowman’s assumed that it is very likely that customers would patronize your products based on perceived value. On the Bowman’s Clock (as shown in Figure 2), Weetabix could be strategically placed under a differentiation strategy (position 4). This position simply implies the fact that the firm is deemed to be offering the highest level of perceived added value. The brand has played a key role in this clock. BBC Business report (2017) reported that Weetabix exports its cereal products to over 80 countries across the world, this implies that Weetabix has done due diligence in learning about differentiated markets on their products across the world. Weetabix must invest in Research and Development, R&D to identify their customer needs in the target market of their various localities to maintain their differentiation position.

Retailer brands such as Tesco, Sainsbury’s, Asda are categorized under Low price strategy placed on position 2 because they offer exponential savings to their customers (Tsaltas, 2018). In 2018, it was estimated that about 15.8 million people consumed Kellogg’s products in the UK, a figure placing its product ahead of Nestlé and Weetabix who were ranked second and third respectively (Statista Research Department, 2020). Kellogg’s products are a step notch above the differentiation clock and can be recorded under Focused Differentiation (position 5). These products are positioned at the highest price levels. Customers buy their products because of the high perceived value. It is however pertinent to note that companies adopting strategies at the clock position 6, 7 and 8 representing risky high margins, monopoly pricing,
and loss of market share respectively are regarded as the most undesirable points on the Bowman’s Strategy Clock, as such, these companies must ensure to match their product prices with the value that customers aim to get, otherwise, they are regarded to be destined for ultimate failure (Tsaltas, 2018).

STAKEHOLDER ANALYSIS

Every organization is made up of a cluster of certain individuals or groups of the individual whose interest relatively affect the performance of the organization (Freeman, 1984; Nutt and Backoff, 1992; Bryson, 1995; Eden and Ackermann, 1998; Walker et al., 2008). It will be interested to know that each stakeholder possesses a different level of power and interest in every organization. So, how really can these be categorized? To manage the internal and external environment, organizations must know the various strategies to employ for stakeholder analysis (Bryson, 2003). In so doing, Bryson (2003) presented an analytical tool for grouping stakeholders based on their level of power and interest on a 2x2 grid as highlighted in Figure 4. With a critical consideration of Post Holding-Weetabix as an entity, the various stakeholder was classified and mapped in Figure 3 in a holistic manner.

The matrix in Figure 4 would now considered, illustrating the interrelationships between stakeholders’ power and interests that exist among Weetabix’s operation. With this, the level of attention each of them pays to the company would under too as well as knowing the actions/energy that is expected to be directed towards them on each matrix.

The stakeholder matrix shown in Figure 4 further illustrated with the justification of their influence/power on Post Holdings-Weetabix as well as their level of interest/impact in Table 1.

EXTERNAL ANALYSIS

A plethora of writers and authors agreed that if a business entity wants to strive on major development, identify future implications, and capitalize on opportunities and mitigate against threats within the business world, an external environmental analysis of the firm is required (Gupta, 2013; Khan and Khalique, 2014). A strategic framework, PESTLE (Political, Economic, Social, Technological, Legal, and Environmental) was therefore recommended to enable the firm to understand the strategic risk and the external macro-environment (Johnson et al., 2008; Sammut-Bonnici and Galea, 2015). This analysis is tabulated for clarity of thoughts in Table 2.
THE INDUSTRY ANALYSIS

In the breakfast cereal industry where Weetabix operates, there are a host of other competitors such as Kellogg, Nestle, Quaker Oat, Tesco, Sainsbury's, etc operating in the same market. However, to get the full insight of Weetabix’s competitive edge over its competitors, and industrial analysis involving its evaluation within this sector is required. Porter (2008) therefore developed the Five-Force model which can be deployed to analyze the competitive strength of different rivals in the same industry.

Figure 5 display a statistical analysis showing the ranking of the leading breakfast cereal brands in Great Britain in 2018 where Kellogg’s take the first seat followed by Nestlé, then Weetabix. The graph shows a gradual reduction in the consumption of breakfast cereal in the United Kingdom from 2015 up till 2018. The figure had therefore fallen to 126 grams of breakfast cereal per person which is roughly equivalent to 25 percent of a standard package of Kellogg’s Just Right cereal.

As similarly presented in the previous section, the industry analysis will be tabulated for the clarity of thoughts in Table 3.

While it can be acknowledged from Table 3 that Porter’s Five Forces can be used as a guideline for evaluating the competitive forces that tend to influence businesses, it goes without noting some of its drawbacks, for instance, the framework is usually used to assess all five forces equally when some industries such are not as heavily impacted by all the five forces as that of Weetabix which
Table 1. Influence/power on Post Holdings-Weetabix.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Stakeholders</th>
<th>Interest</th>
<th>Power</th>
<th>Remarks</th>
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<tbody>
<tr>
<td>1</td>
<td>Shareholder (Post Holding Inc. &amp; Other shareholders)</td>
<td>HIGH</td>
<td>HIGH</td>
<td>They own and support the business. Daily, weekly, monthly, or annual reports should be sent to them. They should be aware of the profits and risks regarding the business. They have high influence and a high stake in making a decision.</td>
</tr>
<tr>
<td>2</td>
<td>Weetabix Management Team</td>
<td>HIGH</td>
<td>HIGH</td>
<td>They oversee to ensure profitable and sustainable management of the business. They are a top priority because they are key players and should be managed closely.</td>
</tr>
<tr>
<td>3</td>
<td>Weetabix Employees</td>
<td>HIGH</td>
<td>LOW</td>
<td>They have little power over acquisition but have high interest because they risk losing their jobs and benefits.</td>
</tr>
<tr>
<td>4</td>
<td>Customers</td>
<td>LOW</td>
<td>HIGH</td>
<td>They are not particularly concerned with the inner workings of the companies, but they have a lot of power because, without them, the companies could cease to exist. So, they needed to be handled with care.</td>
</tr>
<tr>
<td>5</td>
<td>Suppliers</td>
<td>LOW</td>
<td>HIGH</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Distributors / Wholesale Depot Outlets</td>
<td>LOW</td>
<td>HIGH</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Local Government</td>
<td>LOW</td>
<td>LOW</td>
<td>They regulate and issue relevant manufacturing licenses.</td>
</tr>
<tr>
<td>8</td>
<td>British Government</td>
<td>LOW</td>
<td>LOW</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Media</td>
<td>LOW</td>
<td>LOW</td>
<td>They have very low power over the companies. They only seem to show interest that something is happening that is media worthy. However, their actions can have a positive or negative influence over the companies’ operations. Should there be any negative press release over the acquisition, which can lead to turning the UK and US public against the companies? Hence, close monitoring of the acquisition proceedings may happen.</td>
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Table 2. PESTLE strategic framework.

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<thead>
<tr>
<th>Factors</th>
<th>Trends</th>
<th>Implications</th>
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<tbody>
<tr>
<td>Political</td>
<td>Uncertainties as to how the planned BREXIT referendum of 2016 will impact international business deals between the UK and other European countries.</td>
<td>The ease at which business is usually completed between UK and Europe may change. This change may impact Post Holdings owned Weetabix expansion plan either profitably or adversely. According to the World Bank 2020 report which ranked the UK 8th among countries with the Ease of Doing Business. This can lead to a hassle-free business partnership between US-based Post Holdings opportunities to increase profitability in the UK.</td>
</tr>
<tr>
<td>Economic</td>
<td>Economic breakdown due to the present novel coronavirus, COVID-19 pandemic ravaging the entire world.</td>
<td>Lockdown enforcement slow than production and other operation of Weetabix. Raw materials may be scarce or get at a high price. All these can lead to an increase in the price of Weetabix products; however, customers may not have the purchasing power to afford increased prices of the product since some of them were also out of jobs during the lockdown.</td>
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<tr>
<td>Social</td>
<td>Weetabix failure to fully penetrate markets in China and other Asian Countries due to Chinese preferences for their traditional spicy and hot breakfast over the UK and US cold cereal breakfast (Williams, 2015). Islamic countries usually show a preference for food produce/product with the trademark “Halal” for a religious perspective.</td>
<td>Export demand in those regions requesting hot breakfast may be dull except Weetabix devise an acceptable product based on their need and consumption. Weetabix should maintain compliance with Halal production to sustain the marketability of its products to Muslim consumers.</td>
</tr>
<tr>
<td>Technological</td>
<td>Engaging online marketing and social media promotion campaigns to introduce new products or consolidate the value of consuming existing (Happen, 2018).</td>
<td>Technological methods could aid companies in retaining customers and enhancing their brand image. Online marketing can give Weetabix the opportunity to increase advertising and show off all its products (either to introduce new products and services or to improve existing ones). For instance, the product “Weetabix on the Go” received customer acceptability and profits than projected. (Happen, 2018). Also, Questionnaires or customer feedback surveys are opportunities that Weetabix can use to conduct research and development (R&amp;D) on their products.</td>
</tr>
<tr>
<td>Legal</td>
<td>Compliance with UK’s environmental laws, health and safety laws, employment laws. By the end of December 2020, there will be changes to UK employment law following BREXIT and this is very likely to result in a sudden radical departure from the status quo (Birrell et al., 2016).</td>
<td>Post Holdings Inc. would have to comply with all regulatory laws from the UK government. Post/Weetabix must proactively adjust its system to implement the Brexit laws such as the requirement for employment and remunerations.</td>
</tr>
<tr>
<td>Environmental</td>
<td>Taylor’s article (2019) report reveals that Weetabix was fined £140,000 for polluting a nearby river with diesel fuel, thereby risking the aquatic life.</td>
<td>As the industry is so competitive, focusing on environmental issues such as recycling as a means of differentiation will be highly important to Post Holdings. For example, Weetabix should review their environmental and sustainability policies. This would put them in good stead amongst competitors.</td>
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was analyzed.

CONCLUSION AND RECOMMENDATION

In the report, United State based Post Holdings Inc. demonstrated international might to owned Weetabix. The acquisition has provided an opportunity for them to expand their customer base in the UK cereal market, however, Post Holdings should take advantage of the merger to better improve already known Weetabix high-quality products. The Bowman Strategy clock displays the strategic strength of Weetabix products under differentiation while their major rival, Kellogg sits on the differentiation focus clock. Putting in mind that Weetabix is not yet in the number one position of cereal manufacturers, should be their driving force to reinforce their strategies. Industry analysis performed proof that the bargaining power of suppliers is low, hence, Weetabix can come up with enticing promotions and discounts that will keep the customers or wholesalers clinging to their products. This way, bringing down the bargaining power of buyers from medium to low especially if other rivals could not match this strategy. Continuous innovation to meet customer needs and investment in research and development was spotted to require improvement due to constantly changing consumers’ tastes. For the health, Weetabix can win the heart of their customers (and even rivals’) if they leverage upon the opportunity of this pandemic period with the introduction of immune boosting supplements, like vitamin C, into their cereal products to help cushion the effect of
Figure 5. Breakfast cereal brands based number of users in the UK from 2015 to 2018 (Statista Research Department, 2020).
Table 3. Porter’s Five Forces.

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<th>Remarks</th>
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| Threat of new entrants  | LOW     | • Post holdings acquired Weetabix at $1.76bn. Hence the threat is very low in the cereal industry as it is capital intensive, and it takes a while for such an organization to be established (Wholesale Manager, 2017).  
• There is also stiff competition in the cereal industry which may prevent new companies from entering the industry (Directorate for Financial and Enterprise Affairs Competition Committee, 2014).  
• Other constraints are economies of scale and government policies. The industry is dominated by well-known brands such as Weetabix, Kellogg, Nestle, etc.  
Any new entrants will face a lot of competition in establishing their brand, as such, posing a high barrier to new entrants into the UK breakfast cereal industry. |
| Threat of substitute products | HIGH    | • Weetabix represents a brand in the cereal industry and Topper (2015) stated that “looking at the breakfast cereals market, the threat of substitute is very high since customers may choose alternatives such as fast food, fruits, bread or yogurts being available at lower prices.” This poses a strong threat to Post holdings in terms of substitute goods for Weetabix. For example, in the transportation industry, the rise of Uber cabs has resulted in a sharp decline in taxi patronage.  
• However, this threat can be alleviated if Post Holdings come up with their own substitutes and compete strategically based on their already known brand. |
| Bargaining power of suppliers | LOW     | • Newswire (2017) reported that “Wheat and grains are the main raw materials for the cereal industry, and they are quantitatively produced in the US and UK”.  
• On the official web page of Weetabix, Weetabix proudly confirmed that they source their raw materials from farmers less than 50 miles from their production mill. In this regard, supplier bargaining power is weakened since there seem to be enough options |
| Bargaining power of buyers | MEDIUM  | • The more the variety of product choices offered in the cereal market the higher the bargaining power of buyers (Schultz, 2012).  
• For Weetabix to increase their sales, Drakakis (2017) proposed engagement of dealers, depot, or supermarkets who buys in bulk or wholesales before distributing to the retailers or final consumers.  
• Post/Weetabix, therefore, need to work closely with its distribution channels and ensure to maintain a mutual and beneficial relationship. |
| Competitive rivalry      | HIGH    | • Weetabix faces stiff rivalry from Kellogg and Nestle (Paperap, 2007). Fig 5 shows the graphical representation of the rivalry with Kellogg being the market leader. How have they been able to maintain this? What are the strategies that keep them on the forefront?  
• The answer or response to these questions can be a turning point for Weetabix. For instance, Weetabix can conduct a survey to constantly understand the demand of their customer and improve on it. If a gross number of people are conscious of sugar and fatty content, a substitute product that meets these needs should be introduced.  
• Weetabix has a variety of products actually and therefore produce healthy products too. Weetabix knowing customer’s protein needs, launched the Weetabix protein crunch (Rogers, 2017). Figure 6 shows the statistics of some of the Weetabix variety of products based on customers’ patronage in the UK from 2013 to 2018. In 2018, an estimated 1.1 million customers consumed Weetabix Minis, making the product the most sought after. After which Weetabix Chocolate and Weetabix Oatibix followed respectively (Statista Research Department, 2020). |
Table 3. Contd.

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<td></td>
<td></td>
<td>• However, most companies are faced with the threat of competitors imitating their products (Directorate for Financial and Enterprise Affairs Competition Committee, 2014). I would rather advise Weetabix to consolidate on advertisement and media presence of any new product so that before their competitors come up with a look-alike, the new product would have gained customer's patronage.</td>
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COVID-19. However, Weetabix must know that these may not echo loudly if there is no heavy investment in advertisement of any newly introduced product, especially digital and social media marketing campaigns.

Overall, Post holdings should take advantage as the biggest shareholder of Weetabix to consider the analysis presented in this report to grow, expand and ensure Weetabix achieve the pole position in not just the UK cereal industry but on the global scale.

CONFLICT OF INTEREST

The authors declare that they have no conflicts of interest.

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