

AN INDUSTRY AND MARKET OVERVIEW OF GEORGE WESTON LIMITED

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ABSTRACT

This report provides an industry and market overview of George Weston limited. In addition, it also provides an analysis of internal capabilities and the external environment. In internal capabilities, this report presents George Weston's current strengths and weaknesses. On the other hand, the external environment is about the threat and new market opportunities. This report also identifies several factors which can make an impact on George Weston's future business. However, while showing the best performance this report finds out that George Weston facing an unprofitable bakery and amid food challenges. Which can make an impact on George Weston's future business. Based on this fact this report provides strategic recommendations which can help the company keep its performance highest.

Keywords: Bakery Food, External environment analysis, Internal capabilities analysis, Leadership style, Pricing strategy, Production and Operation Management, PESTLE analysis, Product innovation model, Research and development program.

Organization Overview

Vision, Mission, and Goals: George Weston's vision is related to three main principals, and they are: growth, innovation, and flexibility. Since this company has been established in 1882, since that time George Weston keeps their production highest (Weston, 2017). As a result, today they are supplying food through North America, Europe, and Australia. Based on this fact Weston prefers long-term, stable growth in their operating segment instead accepting prudent operating risks. In addition, being active for a long time in the market George Weston believe they can fulfill customer requirement. Based on this fact, George Weston encourages innovation which allows for delivering new products and service to the customer in a competitive price range (Shahidehpour, 2002). On the other hand, George Weston highly gives importance to their shareholder and investor. Based on this fact, George Weston's goal is to provide a sustainable return to the shareholder in a long-term basis and keep the production highest which help to make a combination of common share price appreciation and dividends (Weston, 2017). As this company main product is bakery food, therefore, its mission is the products will be recognized by the customer which will be provided the best bakery solution in the North America region (Weston, 2017). On the other hand, another segment channel Loblaw's mission is providing the best food, home and retailer service in Canada. In addition, offering the best pricing strategy are also a part of Loblaw's mission (Hoyer, 2008).

Design of the organization, management and leadership style: George Weston organization design based on high experience and skills (Weston, 2017). Based on this fact the operation division is critical to executing. Consequently, it is the key to George Weston initiatives and strategies. The management of George Weston is based on those people who are working in the company for a longer time period. Due to the company bakery food recipes and targeting other company weakness to get the best competitive advantage George Weston give

promotion those employees who are working in the company for a long time basic (Weston, 2017). As a result, those employees gained a long-term knowledge and experience which allow the company running successfully in the market also lead their respective operating division in the future. George Weston first segment such as Weston food have two presidents, two vice-president, and one chief administrative officer. On the other hand, the Loblaw company limited leadership style based on Chairman and five presidents. These five president leadership styles are divided into several division. Such as discount division, president choice's financial, market division Joe Fresh, Human resource and labour relations and market division. In addition, there is four chief executive officer whose responsibility also divided by division. Such as the financial sector, operating sector, customer satisfaction and administrative sector (Weston, 2017). See Appendix 1 providing information about the employee's current position.

An overview of the business: The Canadian public company George Weston founded in 1882. This company main production is based on food processing and distribution. This company runs into two segments. The first one is known as Weston Foods. Who is the leader in the North America baking industry. The baking production is bread, rolls, bagels, tortillas, donuts, cake, pies, crackers and other baked goods. The Weston foods operation include 40 facilities and employees are over 6,000. Weston Food's branded and label products through a variety of customer and channels (Mendez, 2007). For example, in North America, the products are sells by several regional retailer and channel. In addition, the segment is divided into two continents. For example, Weston Bakeries, Ready Bake Foods, ACE Bakery, Colonial Cookies are a part of Canadian operations of the Weston Foods. On the other hand, Maplehurst bakeries, Interbake Foods, and Norse dairy system are responsible Weston Foods the United States sector. The main mission of Weston Foods is providing the best bakery solution in North America (Weston, 2017). The second segment is known as the Loblaw Companies limited. Which is the leader of Canadian food and pharmacy and nations' largest retailer (Weston, 2017). In addition, the Loblaw also consider the majority unitholder of choice properties real estate investment trust. Loblaw product and service are related to grocery, pharmacy, health and beauty, apparel, general merchandise, banking and wireless mobiles products. It owned more than 3200, corporate franchises and associated. The approximate number of employees are 192,000 who are working as a part-time also full time. In addition, this number of employees considered Canada's largest private sector employees (Weston, 2017). The purpose of the Loblaw is "Live Life Well". Based on this fact, Loblaw main aim is to fulfill all of the customer needs. For example, more than 1,050 grocery stores provide the value spectrum from discount to the facility. A 1,250 Shoppers and Drug Mart offers a full-service pharmacy in more than 500 Loblaw location. Furthermore, more than every three Canadian are rewarded for shopping with the Loblaw (Weston, 2017).

Industry and market overview:

The market capital of George Weston is approximately \$10.9 Billion (Kraemer-Eis, 2009). This food retail industry whose headquarters are established in Toronto, Canada. In 2017 the annual sales were \$36.23 Billion. According to the Forbes (2017), George Weston market position is 689 among 2000 other companies. 237 is sales, 1,412 in profit, 867 in Assets and 1081 in market value (Forbes, 2017). On the other hand, according to the financial report 2017, George Weston common shareholder increased by \$166 million (\$1.28 per common share) to \$420 million (\$3.25 per common share). In addition, the share price is still same as like 2016. The main reason for an increase in share price is the underlying operating performance. For example, \$11 million (\$0.08 per common share) was due because of the underlying operating

performance of Loblaw's retail segment and the decrease in net interest expense and other financial charges. The first operating segment of George Weston's Weston foods sales in the third quarter were \$668 million (Financial report, 2017). An approximately 1.7% of negative impact took place due to the sales of foreign currency translation. Furthermore, the operating income in 2017 was \$83 million (Financial report, 2017). An underlying of \$37 million and unfavourable net impact took place due to the fair value of derivatives of \$21 million and other charges of \$5 million. The second operating segment of George Weston's Loblaw sales in 2017 was \$14,192 million (Financial report, 2017). As the sales primarily driven by the retail industry, therefore, the increase on this was \$32 million including food retail sales of \$10,172 million and drug retail sales of \$3751 million (Financial Report, 2017). On the other hand, \$71 million of retails sales have been decreased due to the disposition of gas bar operating of \$368 million and the effect of inflation. Furthermore, the operating income in 2017 was \$1234 million an increase of \$546 million. However, facing \$71 million of underlying operating performance due to an increase in Retail gross profit and lower retail SG&A, depreciation, and amortization (Financial Report, 2017). In 2017 George Weston operating segment Loblaw announced the industry-wide investigation by the Competition Bureau (Cision, 2017). This investigation is about the price-fixing involving certain packaged bread products. According to the Cision (2017), the George Weston is showing a full cooperation. In addition, a court filing has been made by the Competition Bureau which is the result of remain sealed while searches are completed. Based on this fact, George Weston is excepting the future comment about this matter until the filings are unsealed.

Internal Capabilities Analysis:

Identify and analyze the organization mission, major objective and current strategies: The main strength of George Weston is the strong brand portfolio with products innovation capabilities (Marketline, 2017). Both of the business segment such as Loblaw and Weston foods focus on brand development. In addition, Weston foods have developed a strong portfolio of core brands and products line (Marketline, 2017). Weston food whose operation is at North American baking industry offers its products under various brands. For example, Wonder, Country Harvest, D'Italiano, Gadoua, Weston, ACE Bakery, All But Gluten, Haddad, Rubschlager Baking, Old Mill, Maplehurst, Creative Occasions and Premiere Fournee (Marketline, 2017). On the other hand, a wide range of label products are offered by Lablow. Lablow products are recognized by many famous brands such as President Choice, PC Blue Menu, PC Black Label etc (Marketline, 2017). Furthermore, Loblaw pricing strategy is different from the national brand pricing strategies therefore, everyone is able to get that. George Weston follows products innovation model which allow them to make their brand continuing strong. For example, in 2015 Loblaw introduced PC insiders' collection. From where the customer can choose their products through a digital online platform. Moreover, in 2014 Weston Foods introduced premium control brand thaw and sell products and dessert cookies (Marketline, 2017). The company's strong brand portfolio helps to get a significant competitive advantage as it improve exclusivity and boots customer loyalty (Marketline, 2017). Furthermore, by offering a higher margin than national brand also a reason for improving the portfolio. Another strong point of view is employees over than 6,500 across 60 sites in Australia and New Zealand. Which allow George Weston to gain large economies of scale. The major weakness of George Weston is heavily depended on the Canadian markets for its revenues (Marketline, 2017). For example, in FY 2016 showing 97.4% revenue are coming from the Canadian market. Based on this fact an over depending on the

domestic market may have a dampening effect on the company's revenues if Canadian economy faces inflation or do not grow as expected (Marketline, 2017). In addition, the company may be susceptible to change under the country's political and economic condition perspective. Furthermore, an increased risk of country's downturns macroeconomic condition and business risk. Other weaknesses such as facing big competition from overseas companies such as Australian company such as Woolworths limited, and labor issues are also a factor. As a corporate leader George Weston also make duties toward the environment. For example, minimize the environmental footprint and keep the sustainable growth (Weston, 2017). In addition, George Weston making several corporate responsibilities toward the society. For instance, providing huge job sector, investing in innovation, and creating opportunities for the new and old investors. On the other hand, George Weston is doing various charitable commitments that were made across the businesses, donation and employees' contribution. For example, in 2017 Loblaw committed \$150 million school program and social service to fight hunger and poor nutrition in Canada. Above all, last five years more than \$57 million has been donated for focusing on women's health. Furthermore, George Weston is proud to make more than \$100 million donations annually to the non-profit organization across North America. In addition, George Weston employees helping the company to take part in various corporate social responsibility via the donation (Weston, 2017).

Indicate the unique capabilities: George Weston allow research and development for the future program. For example, according to the Financial Report (2017) Loblaw excepting an impairment charge of approximately \$20 million. Which is relating to certain information technology assets that support the existing customer loyalty program. On the other hand, Weston food planning to evaluate strategic cost reduction initiatives related to its manufacturing assets (Financial Report, 2017). In addition, Appendix 3 focusing the growth rate of George Weston between the year 2019.

External Environment Analysis:

Indicate and provide of threats, new entries and an overview of key competitors and their activities: In recent time George Weston is facing several the competitive environment through North American food market and retail industry (Baker, 2017). The competition changing consumer trends, disposable income, ethnic diversity and health and environment awareness. Consequently, consumer's demand for more choice, value, and convenience has been increased. The company's second big segment Loblaw facing competition from the traditional supermarket operation and super-market types of merchandise (Marketline, 2017). On the other hand, George Weston also facing competition from the new entries. In addition, the competition with the new entries will be long-term because of extension of the resource (Marketline, 2017). Furthermore, as the labor cost is a big issue for the industries, therefore, these new entries are operated a non-union environment and could benefit from having lower labor (Marketline, 2017). Which will give those new entries favourable operating efficiencies. Based on this fact George Weston will face a decrease in market share and limits its growth opportunities. As a manufacturer and food distributor George Weston must follow the rules and requirement form the government including the Federal Food, Drug, and Cosmetic Act (Marketline, 2017). For instance, in 2009 the Canadian government has been taken steps to stringent rules on various industries to restrict it from spreading (Marketline, 2017). Under the new requirement, all food has to take part in a test for the Listeria and Listeria monocytogenes (Marketline, 2017). Furthermore, The Canadian Food Inspection Agency also plans to increase the environmental and end product-monitoring.

This is a good point of view for the people however, it is increasing the compliance expenditure of the company (Marketline, 2017). This table 1 is about present George Weston have five main competitors in the market (Top 5 George Weston limited competitors, 2017).

| Competitor name | Activities |
|-----------------------------------|--|
| Magnolia Bakery | • Estimated revenue approximately \$48.8 Million. |
| | • Number of Employees: 190 |
| | • Location: New York, NY. |
| | • Products: Food, beverages and tobacco, manufacturing, restaurants, and hospitality. |
| La Panzanella Artisanal Foods Co. | • Estimated revenue approximately \$6 Million. |
| | • Number of Employees: 30 |
| | • Location: Tukwila, WA |
| | • Products: Food, beverage and tobacco, Manufacturing. |
| Uncle Mike's Bake Shoppe | • Estimated revenue approximately \$6 Million. |
| | • Number of Employees: 30 |
| | • Location: De Pere, WI |
| | • Products: Bakery, homemade baked goods, Wisconsin's award winning bakery and hand decorated cakes. |
| Original Bagel Company | • Estimated revenue approximately \$7 Million. |
| | • Number of Employees: 30 |
| | • Location: West Caldwell, NJ |
| | • Products: Bagel, kettle boiled and bakery. |
| Superquinn | • Estimated revenue approximately \$600 Million. |
| | • Number of Employees: 3000 |
| | • Location: Dublin, Ireland |
| | • Products: Retail and grocery. |

Relevant opportunity and trends of the general and competitive environment: In recent time George Weston has been made a number of significant acquisitions. For example, in 2016 Loblaw make an agreement with the QHR, a Canadian healthcare technology company (Marketline, 2017). Here the Loblaw has been benefited in two ways. The first one is about to be a better partner and patients and providers. The second one about provides new opportunities to open the new business (Marketline, 2017). In addition, to expand the market and send products to everyone George Weston has been taking several acquisition and business partnership with big industries. For example, Weston Food makes acquired and the subsidiary with Starr Culinary Delights, Maplehurst Bakeries and Rubschlager (Marketline, 2017). Similarity Loblaw also makes acquired and a subsidiary of Shoppers Drug Mart and Arz Fine Foods. In addition, these acquired, and the subsidiary will give George Weston strengthened the company cake portfolio, creating new growth opportunities for the shareholders, and a complemented on the broad portfolio of bakery products (Marketline, 2017). On the other hand, an increasing number of customers in Canada are also opening new opportunities. For instance, the Canadian organic food market grew by 7.5% in 2015 which value is 3.3 billion (Marketline, 2017). Furthermore,

38.3% Canadian market are from the industry of fruit and vegetables. Based on this fact, in 2020 the Canadian organic food market value will be \$5 billion, an increase of 51.5% (Marketline, 2017). Furthermore, in recent year Loblaw expanded its nutritious and fresh food with the introducing fresh fruits bars. These new products offered by more than 140 stores also planning to increase its presence in organic and lifestyle offerings (Marketline, 2017). In summary, an increasing number of the customer, making the new partnership with overseas companies and introducing new products will favourably impact on company's sales.

George Weston key issues and decision facing:

Having a good marketplace globally, getting various number of competitive advantages allow the George Weston increasing the sales. However, when an industry come in the market face many several challenges. Based on this fact George Weston also facing several issues from the political, economic, social, technological, legal, and environmental sector. As shown below, table 2 is focusing about these sectors and issues (George Weston limited PESTLE analysis, 2017).

| Sectors | Issues |
|----------------|--|
| Political | • Reduce cost |
| | • Political stability |
| | • Positive tax policy |
| | • Skilled government |
| | • Experienced political environment |
| Economic | • Taxes |
| Social | • Workforce |
| | • Education level |
| | • New market |
| | • Growing demand |
| Technological | • Development risks |
| | • Technological and industry concentration |
| | • Government regulation |
| | • Increasing automation in business |
| | • Technological problems |
| Legal | • Technological and industry concentration |
| | • Government regulation |
| Environmental | • Raw materials |
| | • Climate change |
| | • Green products and service |
| | • Sustainability |

Strategic Recommendation:

In recent time George Weston announced that it will going to close an unprofitable frozen cake factory in the United States (Khodadadi, 2020). Based on this fact George Weston will face challenge on its frozen food business. Consequently, its adjusted EBITDA has been falling to \$80 million in the year (2017) third quarter from \$101 million last year (Paddon, 2017). However, the company announced their profit to common shareholders of \$420 million or \$3.25 per diluted share in the quarter ended 2017 (Paddon, 2017). In 2016 it was \$254 million or \$1.97 per diluted share (Schneider, 2002). On the other hand, Weston food facing and decrease on revenue. For example, down from \$673 million a year ago (Paddon, 2017). The company also announced that they are taking steps to improve the food processing division plan however it will take times like until fourth quarter (Paddon, 2017). In addition, this company recognized that some frozen food operations are bigger than anticipated (Paddon, 2017). Companies taking several steps to resolve this problem. For example, they announced the closure of the creative occasions iced-cake facility which is already showing improvement. According to the analyst Irene Nattel of RBC Dominion securities announced that, Weston Food need a sharper focus on frozen category on value added margin categories (Paddon, 2017). On the other hand, due to the price issues several stores of George Weston have been sealed.

A strategic recommendation is showing in table 3 form the PESTLE analysis:

| Sectors | Issues | Strategic Recommendation |
|-----------|-----------------------------------|--|
| Political | Reduce cost | George Weston making playing important rules in the Canadian economy. However, need to act with the government and be respectful of the political stability and environment. |
| | Political stability | |
| | Positive tax policy | |
| | Skilled government | |
| | Experienced political environment | |
| Economic | Taxes | Taxes are all-time an issue for the companies. Current Canadian corporate tax rate is 38%. George Weston needs to keep their production performance highest; hence, they can avoid borrowing more money from the bank. |
| Social | Workforce | Due to the globalization customer value and testy also keep changing. Based on this fact George Weston needs to introduce new products. For example, different tasty of cakes. In addition, build a successful partnership with numerous social, educational and environmental agencies to make stronger communities and enhance individual lives. |
| | Education level | |
| | New market | |
| | Growing demand | |

| | | |
|---------------|--|--|
| Technological | Development risks | Technological problem all-time the big issues. Due to this shareholder may be missing the share information and other important announced has been made by the company. George Weston needs to update their technical equipment regularly. On the |
| | | other hand, need to buy new equipment which can make the product to a healthy level. |
| | Technological and industry concentration | |
| | Government regulation | |
| | Increasing automation in business | |
| | Technological problems | |
| Legal | Technological and industry concentration | At present several stores of George Weston has been sealed due to the different pricing strategy. Although due to the frozen food challenge have to shut down the business. Based on this fact, George Weston needs to focus on government regulation. Provide a pricing strategy that everyone will be benefited. |
| | Government regulation | |
| Environmental | Raw materials | Due to the climate change, many products are showing less output because of less raw material. George Weston CRS is based on less dependent on environment. Based on this fact the company needs to buy more cultivation land which can fulfill the customer food demand, however, make less pressure on people land and other activities. |
| | Climate change | |
| | Green products and service | |
| | Sustainability | |

CONCLUSION

In summary based on the finding and further research it can be said that the biggest challenge of George Weston is the frozen food challenge. It is true that the climate has been changing and temperature are rising day by day. Consequently, food needs to put in the frozen stores. However, it might be tough to put all products into the frozen stories. Therefore, George Weston needs to update their equipment like refrigerator and other equipment basic. On the other hand, now-a-days the delivery food business program getting poplar. Due to the increase of temperature George Weston can took steps such as delivery the products to the customer. Furthermore, plant and distribution optimization including capital investment to strategically position facilities to support growth and enhance quality, productivity, and efficiencies. Based on this strategic recommendation it can be said that George Weston will keep their performance highest and separate their business around the world.

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