2010 NAMA Marketing Competition

Executive Summary

CAL POLY
SAN LUIS OBISPO

Rubies

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Introduction

In the late 1990's the grape tomato debuted on the produce stage. No larger than a table grape, sweeter than any other tomato, and offering an extended shelf life, the grape tomato rolled away from the cutting board and into the snack market. This new fruit quickly became popular, driving the competitive price upward and leaving growers and shippers scrambling to snatch a share of the grape tomato's success.

Recently, profitability in the grape tomato market has become harder to obtain. Growers are not receiving adequate returns because of the labor-intensive production and vast competition. Amigo Growers, Inc. (AG) is one of the many producers who have lost their profit margin in the flooded grape tomato market. AG is a group of grape tomato growers who currently have year-round hot house growing operations in Baja California and Sinaloa, Mexico, and own exclusive rights to a unique variety of grape tomato. This grape tomato has been distributed in generic 10.5-ounce clamshells for the past two years putting them at the mercy of the general market prices. AG has looked to Poly Promotions to reshape the distribution methods and brand the variety.

Poly Promotions has organized a plan to add value to this special grape tomato in order to attain elusive profits in a flooded market. By capitalizing on an increasing demand in the "snacking" tomato market, Poly Promotions has developed a packaging system that offers greater convenience than any competing tomato. *Rubies* are sweeter and firmer than other grape tomatoes and can be used in salads, sandwiches, and cooking, but especially as a healthy snack. These discernable benefits allow *Rubies* to transcend the competition in the grape tomato market. Introducing the convenient and tasty snack that allows you to live your life to the fullest; *Rubies* **...** *treasure your health.*

Market Analysis

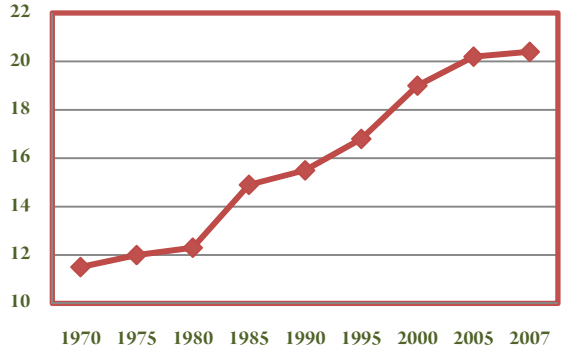
Market Size

In terms of consumption, fresh tomatoes are the third most-purchased vegetable in the United States, after potatoes and lettuce .[1] The fresh market tomato industry accounts for $1.3 billion in farm receipts, the second highest fresh market vegetable behind lettuce .[2] Annual average fresh-market tomato consumption continues to exceed that of the previous decade, increasing by nine pounds per person from 1970 to 2007.[3] Fresh market tomatoes have seen such a rise in popularity that 82% of customers reported purchasing tomatoes within the past 12 months.[4] Per capita use of tomatoes has increased due to tomatoes flexibility of uses and the nation's growing emphasis on health and nutrition. In one year alone, the percent of consumers using tomatoes as a snack has increased by 3%.[4] Female consumers have seen the greatest increase in fresh-market tomato consumption because they are the primary shopper in most American homes[3]. Women consume 40.5% of all fresh-market tomatoes, and 20.4% of these consumers are ages 45-54 .[3] This group is the leading purchaser of fresh tomatoes.

Ways Consumers Use Tomatoes [4]

In a Salad	82%
Cooking	78%
Snacking	***36%***
Side Dish	62%
Main Dish	24%

Fresh -Tomato Consumption / Year [3]



What Are Consumers Saying? [3]

"I am trying to eat healthier these days"	76%
"I am trying to eat snacks that offer nutrition"	62%
" I am trying to replace high calorie snacks with healthier alternatives"	59%

Market potential

Rubies market potential lies in the booming snack-food market and consumer's increasing desire to improve health. In today's world, Americans have less time to prepare sit-down meals and are frequently exposed to vending and snack machines. The snack food market is exploding, reaching $68billion in retail sales in 2008.[5] Sixty percent of Americans eat snack foods regularly; consuming around 20% of their calories from snacks.[6] *Rubies* sweeter taste appeals to cravings for a scrumptious snack between meals, and the snack-able size is more desirable for the on-the-go consumer. Also, the convenient packaging introduces fresh produce to the accessible snack-food market. Americans are now relying on snacks to maintain energy throughout the day. Research has shown that since 1990 the number of Americans "dieting" has decreased by nearly 10%, but the number of those eating healthier has increased.[6] Tomatoes have been found to prevent certain cancers, and possess a good source of Vitamin A and C. [7] Americans are no longer subtracting unhealthy foods as a method of dieting. Instead, consumers are adding healthy and natural products into their diets. *Rubies* tomatoes offer a sweeter taste and a healthy advantage to snacking.

(1) FloridaTomatoes.org 2010
(2) National Agriculture Statistical Services (NASS)
(3) USDA- Economic Research Service
(4) The Packer- Fresh Trends 2010
(5) Packaged Facts 2008
(6) IRI
(7) California Tomato Commission

Rubies

Customer Profile

Rubies' target consumers are active, health conscious, professional women, specifically ages 45 to 54 years-old with an annual income greater than $50,000. According to the USDA, per capita consumption of fresh tomatoes increases as income rises.[8] This defines our target market because 88% of surveyed women purchase tomatoes on a regular basis and consumers age 50 and above control over 70% of the nation's disposable income.[9] On average, women spend $ 125 per week at the grocery store, designating 10% of that budget to fresh produce. These trend setting women also tend to purchase eco friendly products, making *Rubies* the ideal snacking solution.[10]

Likelihood of tomato purchase based on household income.[1]	
Less than $25,000	79%
$25,000-49,999	84%
$50,000-99,999	**90%**
$100,000 +	**94%**

Strengths

- A healthy alternative to processed snacks.
- Thicker skin, resulting in an increased protein content.
- Convenient, recyclable packaging.
- Year-round availability.
- Low calorie, yet nutrient rich.[11]

Weaknesses

- No established market share.
- Lack of brand recognition.
- Higher retail price.
- Consumer indifference between existing tomato varieties.[12]
- Consumer apprehensiveness to new product design.

Opportunities

- Mainstream brand association.
- Americans are seeking healthier products.[13]
- New, innovative image for snacking tomatoes.
- Health and nutrition has become more important in the last five years.[14]

Threats

- Fairly saturated snacking tomato market.[15]
- Competitor brand awareness.
- With current economic conditions value added food items become more dispensable.[16]
- Increasing demand for produce traceability.

Competitive Analysis

Rubies enter the fresh, grape tomato market with an innovative on-the-go package, setting itself apart from all other competitors. This convenient option for snacking tomatoes creates the opportunity to establish brand recognition within a market lacking significant differentiation. *Rubies* are a sweeter yet more nutritious variety of grape tomato that caters to the affluent individual more than any of the current competitors. The thicker skin of *Rubies* offers longer shelf life, as well as increased fiber, protein, and lycopene content. *Rubies'* taste is also superior to the grape tomatoes currently on the market due to its higher sugar content. This product offers the convenience of processed snacks with the nutritional value of fresh produce, and satisfies the tastes of adults and kids alike.

	Product	Serving Size	Package Size	Calories	Sugar (g)	Protein (g)	Fiber (g)	Price	Nutrition Grade[7]
Direct Competitors	Cherubs	3 oz.	10.5 oz.	27	4.2	1	1.25	3.99	A-
	Santa Sweets	3 oz.	10.5 oz.	30	4	1	1	3.29	A-
	Generic Brand*	3 oz.	10.5 oz.	25	3	1	1	2.69	A-
	Organic**	3 oz.	10.5 oz.	30	4	1	1	3.24	A-
	Rubies	**3 oz.**	**12 oz.**	**32**	**4.5**	**3**	**2**	**4.59**	**A**
Indirect Competitors	Fruit cups	4 oz.	8 oz.	70	16	1.5	0.75	1.68	B
	Cuties	6 oz.	48 oz.	40	8	1	2	5.36	A-
	String Cheese	1 oz.	12 oz.	80	0	8	0	5.99	C
	Baby Carrots	3 oz.	12 oz.	35	5	1	2	1.69	A-
	Apple Slices	5 oz.	14 oz.	80	13	0	2	3.76	B+

*"Generic Brand" derived from the averaged data of four types of non-brand grape tomatoes.
**"Organic" derived from the averaged data of four types of organic grape tomatoes.

(8) USDA/ERS
(9) Blog.marketingtomoms.com
(10) Consumer Trends and U.S. Retail Markets, Marketlooks.
(11) The Different Variety of Tomatoes, Associatedcontent.com
(12) Americans Continue Eating Nutritious, Sunsweetswap.com
(13) The Healthy Snack, Articlesbase.com
(14) Background Statistics: Fresh Market Tomatoes, ers.usda.gov
(15) Current Economic Conditions, Federalreserve.gov
(16) Caloriecount.about.com

Rubies

Business Proposition

Strategy Statement

Rubies provide a healthy and convenient snacking alternative which appeals to the on-the-go consumer.

Key Planning Assumptions

- Poly Promotions represents a grower that holds exclusive patent rights to the trademarked *Rubies* variety of tomato.
- Growers in Mexico will be producing enough to supply the target regions of year one, two, and three.
- *Rubies* are sweeter, have higher brix and have firmer, thicker skin than all other grape tomatoes in the market.

Goals & Objectives

- Strong presence in mainstream grocery stores in targeted regions.
- Achieve 30% of the existing grape tomato shelf space by year three in targeted retail locations.
- Gain 20% brand name recognition among all tomato consumers in targeted regions by year three.
- Maintain 99% customer satisfaction.

Yearly Goals

	Year 1	Year 2	Year3
Total # of retail outlets	325	575	925
Cases/week per store	2	2.5	3
Shelf Space (Sq. Ft.)	10%	20%	30%
Brand Name Recognition	4%	12%	20%

Action Plan

Product Positioning

Rubies are a sweet and conveniently packaged grape tomato. *Rubies* will brighten up snack time, sparkle in a fresh salad or enrich the flavor of a cooked meal. Since the leading purchasers of fresh market tomatoes are women ages 45-54, *Rubies* will be primarily marketed towards affluent professionally driven women who maintain a healthy lifestyle or are making healthier decisions in their everyday life.[17]

Packaging

Rubies will be packaged in unique, biodegradable 3oz poly mesh bags. This innovative packaging will enable consumers to purchase a set of four single serving units, which feature individual tear away convenience for snacking on-the-go. These bags are the ideal alternative to conventional clamshells because they do not require repackaging or portioning in order to be a mobile snack. In store, the ability for *Rubies* to be displayed in a traditional produce case or hung on racks is an eye catching advantage. It's environmentally friendly image is also a key feature, considering 80.4% of *Rubies'* target market considers package recyclability when making a purchase.[18]

Year 1 (33,800 trays)

- Los Angeles County, California
- Orange County, California
- San Diego County, California
- Ventura County, California

Year 2 (76,700 trays)

- Santa Clara County, California
- San Francisco County, California
- Sacramento County, California

Year 3 (143,000 trays)

- Maricopa County, Arizona (Phoenix)
- Pima County, Arizona (Tucson)
- Multnomah County, Oregon (Portland)

Product Price

The retail value of *Rubies* is $4.59 per unit, with our average wholesale being $3.00 per unit after transportation costs. The retail price of *Rubies* is approximately 15% higher than its direct competitors, which is justified by the higher quality product and packaging. *Rubies'* customer is active and needs a healthy snack on-the-go; thus they are willing to pay the higher price for the added value that *Rubies* offer.[18]

Product Placement

Rubies will be available at retail grocery stores such as Kroger's®, Raley's®, Safeway®, and Lucky Store Brand®/Albertson's®. *Rubies* will be located in the produce section of each retailer and will also have end cap displays and be placed in the Bakery/Deli section during promotional periods. We will first target grocery stores in affluent counties and metropolitan areas in order to penetrate the desired initial consumer market.

Targeted Metropolitan Areas

The western United States is the ideal entry point for this product due to the large health conscious population and convenient distribution points. The areas surrounding San Diego, Orange County, Los Angeles, Santa Clara County, San Francisco, Phoenix, and Portland are among the most health conscious metropolitan areas for women in the United States.[19]

(17) USDA- Economic Research Service
(18) According to market research conducted in Central California
(19) Tops List of Heart-Healthy Cities for Women usnews.com/health

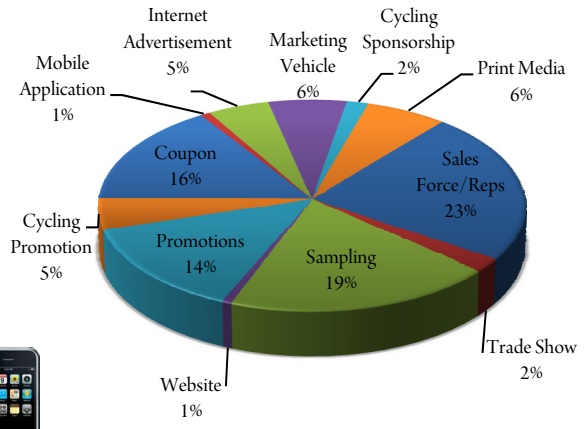
Product Promotion

Trade Shows: *Rubies* will be featured at the 2010 PMA Fresh Summit as a new product. Also, *Rubies* will be on the floor each year at the PMA Fresh Summit and United Fresh Produce Association tradeshow in a 10'x10' booth. Here, *Rubies*' Representatives will communicate the product's benefits to others within the produce industry.

Printed Advertising: Throughout the first three months of each distribution year, *Rubies* will advertise heavily in the trade publications: The Packer, Ag Alert, Produce News, and Produce Business. Additionally, *Rubies* will advertise heavily in the months of October and April, when the PMA and United Fresh tradeshows occur. During the months when *Rubies* are participating more actively in consumer promotions, printed advertising will be reduced.

Internet: An interactive website will be available to consumers. Customers can access nutritional value information, recipes, and promotions. *Rubies* will be advertised on the popular social network site, Facebook®. From 2009 to 2010, Facebook experienced a 328.1% growth in the 35-54 age range[20]. The Facebook® server will provide advertisements and a link to the *Rubies* website to a specific demographic based on their interests and age. Affiliate links will be featured on retailers' and the partnered philanthropic organizations' websites. Occasionally, printable coupons will be available through advertisements that link to the *Rubies* website.

Marketing Cost Breakdown



iPhone/Blackberry Application: A *Rubies* iPhone/Blackberry application will be designed and developed by the tech firm Appiction™. The *Rubies* application will include an interactive browser that presents snack and meal recipes. Each recipe will include *Rubies* and incorporate food that the user may already have in their kitchen. The application will also include a fun tomato computer game.

Philanthropic Partnerships: *Rubies* will sponsor athletic events within the targeted regions of distribution that support the organizations Susan G. Komen for the Cure®, National Multiple Sclerosis Society™ and American Diabetes Association®. *Rubies* will donate product for the athletes and have 10'x10' booths where representatives will distribute samples and paraphernalia and communicate the benefits and accessibility of the product to spectators.

Cycling Team Sponsorship: *Rubies* will sponsor an amateur cycling team. The cyclists will compete in 200 races within and outside of targeted regions while sporting a *Rubies* uniform. Representatives will be present at certain races with the 10'x10' booth to hand out *Rubies* samples and wares.

In-Store Sampling: Sales Representatives and cyclists from the *Rubies* cycling team will attend in-store sampling events, they will distribute *Rubies* to shoppers and share diet and exercise tips.

First Six-month Initiatives

May-July 2010

PRIMARY FOCUS:

Establishing relations with wholesalers and retailers

Heavy trade publication advertisements.

Agressive B2B marketing campaign

August 2010

PRIMARY FOCUS:

Developing product awareness among consumers.

Cycling team begins competing and participating in in-store sampling

September 2010

PRIMARY FOCUS:

In-store promotions, consumer education, brand recognition

In-store sampling, printed retailer ads, promotional pricing

Race for the Cure, Newport Beach

October 2010

PRIMARY FOCUS:

Strengthening relationships with retailers and consumers

PMA tradeshow

Race for the Cure, San Diego

MS Cycling Race, Ventura

MS Bay to Bay Cycling Tour

(20) Facebook Demographics and Statistics Report 2010 istrategylabs.com

Monitoring and Measuring

Measurement Standard	Monitoring Methods	Contingency Plan
Customer Satisfaction *Maintain 99% customer satisfaction, strive for 100%*	• Communicate with produce managers via Rubies' employee monthly visits • In-store demonstrations/assessments • Use Google Analytics to track website traffic, visitor intent, and customer feedback	• Identify and address problem areas • Enhance product with a value-added coupon • Increase customer involvement opportunities
Brand Awareness *4% in Year 1, 12% in Year 2, 20% in Year 3*	• Achieve specified dollar point of compensated promotional items • Google Alerts will monitor media coverage of Rubies, competitors, and the industry	• Alternative advertising outlets • Sales Representatives increase promotional plans in each region
Sales/Profitability *Reach profit margin of 3% in Year 1, 16% in Year 2, 20% in Year 3.*	• Perform quarterly common size and trend analysis of financial statements • Analyze monthly sales reports	Above Standard • Invest additional profits in promotion and marketing Below Standard • Approach new outlets within current regions • Correct inefficiencies in price, position, and packaging
Market Share *Occupy 30% snacking tomato shelf space by year 3*	• Monitor shelf space during in-store assessments • In year 3 subscribe to IRI reports to track weekly sales data and promotional effectiveness	• Reconsider product position • Utilize Public Relation's promotional activities

Monitoring and measuring is Poly Promotions' way of observing *Rubies* progression towards achieving the specified measurement standards, focusing on: Customer Satisfaction, Brand Awareness, Sales/Profitability, and Market Share. While Poly Promotions will have a constant awareness of each standard's progression, these measures will be comprehensively evaluated every year. The contingency plan is *Rubies* plan of action if Poly Promotions' methods do not meet the specified goals. If the methods are successful, *Rubies* will continue the current practices and capitalize on other opportunities to expand each specific standard's goals. A Poly Promotions District Sales Representative will be responsible for implementing the monitoring methods for each measurement standard.

Income Statement				
	2010	**2011**	**2012**	**Total**
Units Sold	33,800	76,700	143,000	253,500
Wholesale Price	$ 36.00	$ 36.00	$ 36.00	$ 36.00
Revenue	**$ 1,216,800**	**$ 2,761,200**	**$ 5,148,000**	**$ 9,126,000**
Cost of Goods Sold				
Packaging	182,520	414,180	772,200	1,368,900
Distribution	77,250	206,000	437,750	721,000
Tomato Input	202,800	460,200	858,000	1,521,000
Total COGS	**$ 462,570**	**$ 1,080,380**	**$ 2,067,950**	**$ 3,610,900**
Gross Profit	**$ 754,230**	**$ 1,680,820**	**$ 3,080,050**	**$ 5,515,100**
Marketing Expense				
Trade Show	16,855	17,605	18,705	53,165
Promotions	71,000	119,175	170,250	360,425
Website	10,000	4,000	4,000	18,000
Print Media	51,858	57,555	60,270	169,683
Sampling	75,000	121,000	213,000	501,793
Sales Force/Reps	97,000	198,850	305,793	601,643
Marketing Vehicle	50,000	54,000	59,000	163,000
Coupon	53,820	122,130	227,700	403,650
Internet Advertisement	42,954	42,954	42,954	128,862
Mobile Application	-	18,750	1,500	20,250
Cycling Sponsorship	15,000	15,000	15,000	45,000
Cycling Promotion	16,000	34,000	72,000	122,000
Total Marketing Expense	**$ 499,487**	**$ 805,019**	**$ 1,190,172**	**$ 2,494,678**
Operating Expenses				
Administrative Overhead	125,000	260,000	575,000	960,000
Facilities Expense	40,000	85,000	132,000	257,000
Maintenance Expense	15,000	30,000	45,000	90,000
Utilities Expense	23,000	49,000	71,000	143,000
Monitoring and Measuring	10,000	20,250	36,263	66,513
Total Operating Expense	**$ 213,000**	**$ 444,250**	**$ 859,263**	**$ 1,516,513**
Total Expenses	**$ 1,175,057**	**$ 2,329,649**	**$ 4,117,384**	**$ 7,622,090**
Net Profit	**$ 41,743**	**$ 431,551**	**$ 1,030,616**	**$ 1,503,910**
Profit Margin	**3%**	**16%**	**20%**	**16%**
Return on Investment	**4%**	**19%**	**25%**	**20%**

Financial Analysis

Poly Promotions will begin their venture by focusing heavily on advertising and promotions. Expectations of increases in units sold and revenues in the subsequent years are present due to Poly Promotions' advertising and promotional efforts. The profit margin for Year 1 will be relatively lower than the following years due to maturing brand awareness. With a strategic marketing plan, Poly Promotions will capture significant market shares within the industry and therefore increase the profit margins for the future.

Conclusion

Rubies will capitalize on the increasing tomato and snack food markets. The Rubies innovative packaging and nutritional value makes it a unique grape tomato. It is the convenient tasty snack.

Rubies

Treasure your health