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CBO Marketing Practicum

Microwavable, Bagged Snap Beans

Group 10

Mac Gibbs, Leader

Nick Augustini, Georgett Chilton,

J.B. Coltrain, Lentz Stowe, and

Frank Winslow

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Introduction

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- *Hyde County's economy is based on agriculture, seafood, and forestry.
- *The main crops of the county are corn, soybeans, wheat and vegetables.
- *The vegetables consist of snap beans, sweet corn, cucumbers, squash, and eggplant.
- *Typically the majority of these beans are shipped fresh market in 1 1/9 bushel crates.

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Industry Trends

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*Snap bean consumption has moved from .88lbs/consumer/year in 1990 to 1.65 lbs/consumer/year 2003.

*Consumers have increased the total consumption of fresh vegetables by 5% over the past five years.

*There is a trend to prepare produce for the market that is near ready to eat as possible.

*Restaurants are looking at custom packaged vegetables, weighed and bagged to eliminate prep in-house.

*Chefs are microwaving vegetable side dishes to order.

*US market for fresh-cut / value-added produce experienced dramatic growth estimated between \$8 and \$10 billion by year 2010.

(Fresh-cut Assoc. Estimates)

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Customer Profile

- * Food service industry supplies produce to restaurants and institutions (schools, prison, hospital, etc.)
 - In 2005 it is expected that food service sales of fresh produce will over take retail sales of fresh produce.
 - Microwave single serving packaged snap bean sales will be targeted for use by the food service industry.
 - 79% of food service sales are commercial
 - Vegetables appearance on menus increased by 2% per year from 2000 to 2003.
 - Snap beans were number 7 of the most frequent items on menus.

*Food service customers like value-added produce for:

- elimination of prep in-house
- lower labor requirements
- convenient to use
- serving size dishes microwavable to order.

- Food Service companies are now being supplied with fresh market snap beans or commercial pack quick frozen snap beans.

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Competitor Analysis

Strengths

- Nationally known brands
- Large Market share
- Capital for packaging and marketing
- Large Distribution system
- Network of bean suppliers

Weaknesses

- Lack quality control
- High transportation cost to local area
- Do not supply food service industry with product ready to serve.

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Hyde Beans Analysis

Strengths

- Extended knowledge of production
- Majority of equipment needed in place
- Relationship with seed suppliers and breeders
- Relationships with suppliers of raw product for year round supplies
- Location – within 8 - 24 hrs of 2/3 of US population

Weaknesses

- Lack capital
- Limited window of production
- Location to major highway
- Limited knowledge of fresh-cut business.

Primary Marketing Research

- One-on-one interviews of Produce Managers in 5 retail grocery stores in area.
- Survey of growers in bean production area in Eastern NC.
- Test Marketed at several Road-side stands.
- Survey of restaurants and institutions.

Secondary Marketing Research

- “Veggie trends are not veggie tales” Doug Sanders, American Vegetable Grower.
- PMA Fact sheets-Fresh Produce Demographics
- Presentation on Trends and Opportunities in Fresh-cut Produce: Snap Beans - presented by Edith H. Garrett, eg A E. Garret and Associates.
- AC Nielson – Perishables: The sleeping Giant of Retail.

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Business Proposition

Key Planning Assumptions

- Food service produce sales increased 35.0% since 1996.
- 79% of Food service sales are commercial (Restaurants, Nursing Homes, Schools, etc.)
- 18.8% of restaurants vegetables sides (beans, corn, broccoli and carrots).
- Approximately 50% of major restaurant chains offer beans on the menu.
- Restaurants are willing to pay premium price for fresh cut, single serving produce.

Goals

- Establish marketing agreements with 5 food service vendors in NC by April 2007.
- Demonstrate use of product to restaurant chefs serviced by the 5 food service vendors in which a relationship has been established.
- Year 1 sales of 133,928/20 lb. master boxes.
- Year 4 sales of 400,000/20lb. master boxes.

Mission Statement

Hyde Beans will supply premium quality single serving microwavable snap beans to food service vendors in NC to meet their need for less prep time in area restaurants.

Product Benefits

- 2lb., 5lb. and 10lb microwavable OTR packed in a 20lb master box.
- Beans will be snipped and ready for microwaving as a single serving.
- Product will reduce prep time for chefs
- Product will have extended shelf life.

Distribution

- Hyde Beans is located in Plymouth, NC near US Highway 64.
- Contracted refrigerated trucks will deliver products to Food service vendor's distribution centers
- Hyde Beans Sales representatives will have weekly contact with food service buyers to determine the amount of product to ship.
- Snap bean harvest occurs during June-July and September-October in North Carolina.
- Processing, sales, and shipping will proceed year-round.
- Raw product will be shipped in from other production areas.

Price Structure

The produce will be priced at 35% gross margin.
Break-even cost is \$20.26 per 20 lb. master box.
Selling price will be \$28 a box.

Promotion

- Hyde Beans sales representatives will establish strong working relationships with food service distributors.
- Hyde Beans representatives will visit area restaurants to demonstrate the value of product.
- Advertisements will be placed in trade magazines of food services and restaurants.
- Hyde Beans representatives will attend PMA convention having a booth to showcase product.
- Hyde Beans representative will attend Flavors of North Carolina Shows.
- Cards with cooking instruction will be supplied on packages.
- Free product will be given to chefs for trial.

Evaluation

- Track sales performance by company and region to determine area for more concentration.
- Review Profit & Loss Statement monthly to attain direction of company.
- Reaching goals of product sold year 1 and year 3.
- Positive net profit by year 2.

Contingency Plan

- If sales do not reach target goal:
 - Increase visits to restaurants with demonstration and samples for trial.
 - Increase promotion at higher end restaurants.
 - Begin promotions at high end super markets
 - Stop operation at the end of 3 - year period if th company is losing money.

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Sales	Year 1	Year 2	Year 3
Boxes/Year	134,000 boxes	250,000 boxes	400,000 boxes
<u>Gross Sales</u> 20lb. Master Box @ 28.00	3,752,000	7,000,000	11,200,000
<u>Less Cost of Goods Sold</u>	\$2,143,000	\$4,227,000	\$6,537,000
<u>Gross Margin</u>	\$1,609,000	\$2,773,000	\$4,663,000
<u>Expenses:</u> Sales Salaries	\$45,000	\$50,000	\$55,000
Advertising	15,000	17,000	20,000
Freight	7,000	13,000	20,000
Administrative	55,000	60,000	65,000
Utilities	56,000	56,000	59,000
Yearly Payment	288,000	288,000	288,000
<u>Total Expenses</u>	\$466,000	\$484,000	\$507,000
<u>Net Profit before Taxes</u>	\$1,143,000	\$2,289,000	\$4,156,000
<u>Profit Margin</u>	30%	33%	37%