

Market 32:

New Product Development

Gate 3 - Marketing & Launch Plans

May 12th, 2017

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Overview

- Product Update
- Current Market Situation
 - Buyer Behavior, Competition & Environmental Factors
- Marketing Strategy
 - Segmentation, Targeting & Positioning
- Marketing Mix
 - Product, Place, Price & Promotion
- Financials



Product Recap

Bottle

- Smaller bottle neck
- Hourglass shape
 - Superior mixing
 - Easier to hold
- Higher quality plastic
- Ability to see inside

Contents

- Grape juice conc. inside

Recipe

- Mixed berry - strawberries, blueberries, blackberries



Introducing...

Pics Mix N' Make Smoothie

- Ranked **1st** 6 times
- Ranked **2nd** 4 times
- Ranked **3rd** 4 times

26 Respondents	Memorability	Adaptability	CBP	Uniqueness	AVG
Mix N' Make Smoothie	6.154	5.654	7.769	6.538	6.529
Shake N' Make Smoothie	5.885	5.654	7.269	6.615	6.356
Shaker Smackdown	6.423	5.308	6.308	6.500	6.135
Simple Mixing, Smoothie Fixing	6.077	4.840	6.423	6.962	6.075
Shake It Til You Make It	5.885	5.038	6.115	5.923	5.740
Bundle Bottle	5.038	5.692	6.192	5.808	5.683
Smoothie Quake	5.154	5.308	5.654	6.615	5.683
Super Shaker	5.346	5.500	5.923	5.462	5.558
Smoothie Swirl	5.885	5.115	5.308	5.808	5.529
Swirl-a-Smoothie	4.654	4.615	4.769	4.115	4.538

Customers Buying Behavior

- Low Involvement, Impulse Purchase
 - **92%** decide at time of purchase
 - **69%** decide based on available coupon
 - **92%** purchase smoothies in grocery stores
- Additional Factors:
 - Not brand loyal
 - Purchase based on flavors or coupon
 - Also consider nutrition facts, price, fit in lifestyle



Competitive Assessment

Updated to include
all potential
substitute products

Also added new
metrics based on
customers' potential
selection criteria

Factor	Our Product Pics Brand	Dole Shakers	Dole Fruit & Veggie Blends	Amafruit	Homemade Smoothie	Naked Smoothie	McDonald's Smoothie	Tropicana Juice
Price	\$2.00	\$2.29	\$3.64	\$2.50	Varies	\$4	\$3.29	\$1.50
Low Price	4	3	1	3	3	1	2	5
Simple Instructions	4	4	3	2	0	5	5	5
Easiness to Prepare	4	4	2	2	1	5	5	5
Minimal Cleanup	5	4	2	2	1	5	5	5
Perceived Authenticity	2	2	3	4	5	3	1	1
Taste	4	3	3	4	5	4.5	4	3
Organic	No	No	No	Yes	Varies	No	No	No
All-inclusiveness	4 add water	2 add juice	2 add juice	5 all-included	0 separate ing.	5 all-included	5 all-included	5 all-included
Availability	2	3	4	1	5	5	5	5
Brand Name Strength	3	5	5	1	0	4	5	5
Low Sugar Content	4 similar to shakers	4 13 grams	4 12 grams	5 0 grams	5 typically low	2 35 grams	0 61 grams	2 28 grams
Flavor Variety	0 1 flavor	2 7 flavors	1 3 flavors	2 5 flavors	5 nearly infinite	4 25 flavors	1 3 flavors	3 12 flavors
Volume	3 4.26 oz 12 oz filled	3 4 oz 11 oz filled	2 8 oz	1 3.5 oz	5 as desired	5 15.2, 32, or 64 oz	4 12, 16, or 32 oz	5 10, 12, 32, or 59 oz
Package Design	4	3	4	4	1	5	2	3
Non-Dairy	No	No	Yes	Yes	Varies	Yes or No	Yes or No	No
Memorable Name	4	3	2	4	0	5	1	3

Strengths: All-inclusiveness, price, easiness to prepare, low sugar content, & aesthetics

Weaknesses: Authenticity, availability, flavor variety, & contains dairy

Versus Dole Shakers:

- Better all-inclusiveness, taste, aesthetics, and name memorability
- Worse brand name strength, flavor variety, and availability

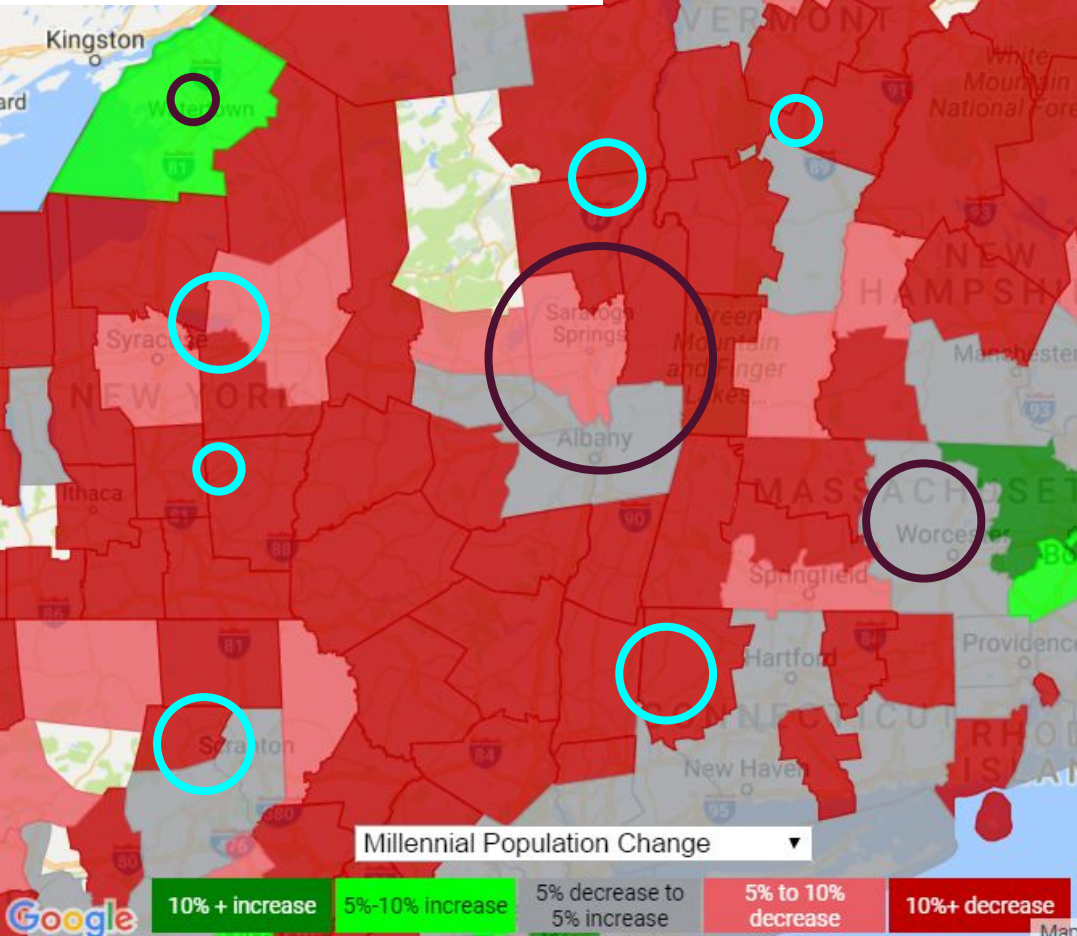
Environmental Factors

- Smoothie industry = \$2 billion market
 - An 80% increase over five year
 - Expected 3-4% growth, but not as fast as “fast casual” restaurants
- Consumers actively shape the direction of the market & force adaption:
 - Increased demands for “functional” smoothies
 - More critical of contents & nutrition labels--such as natural vs added sugars
 - Rising popularity of on-the-go smoothies
- Smoothies experience seasonal sales fluctuations: Jamba Juice 2016

Revenue Q1	Q2	Q3	Q4
\$18,754,000	\$21,540,000	\$22,061,000	\$15,645,000

Our launch window

Rollout Plan

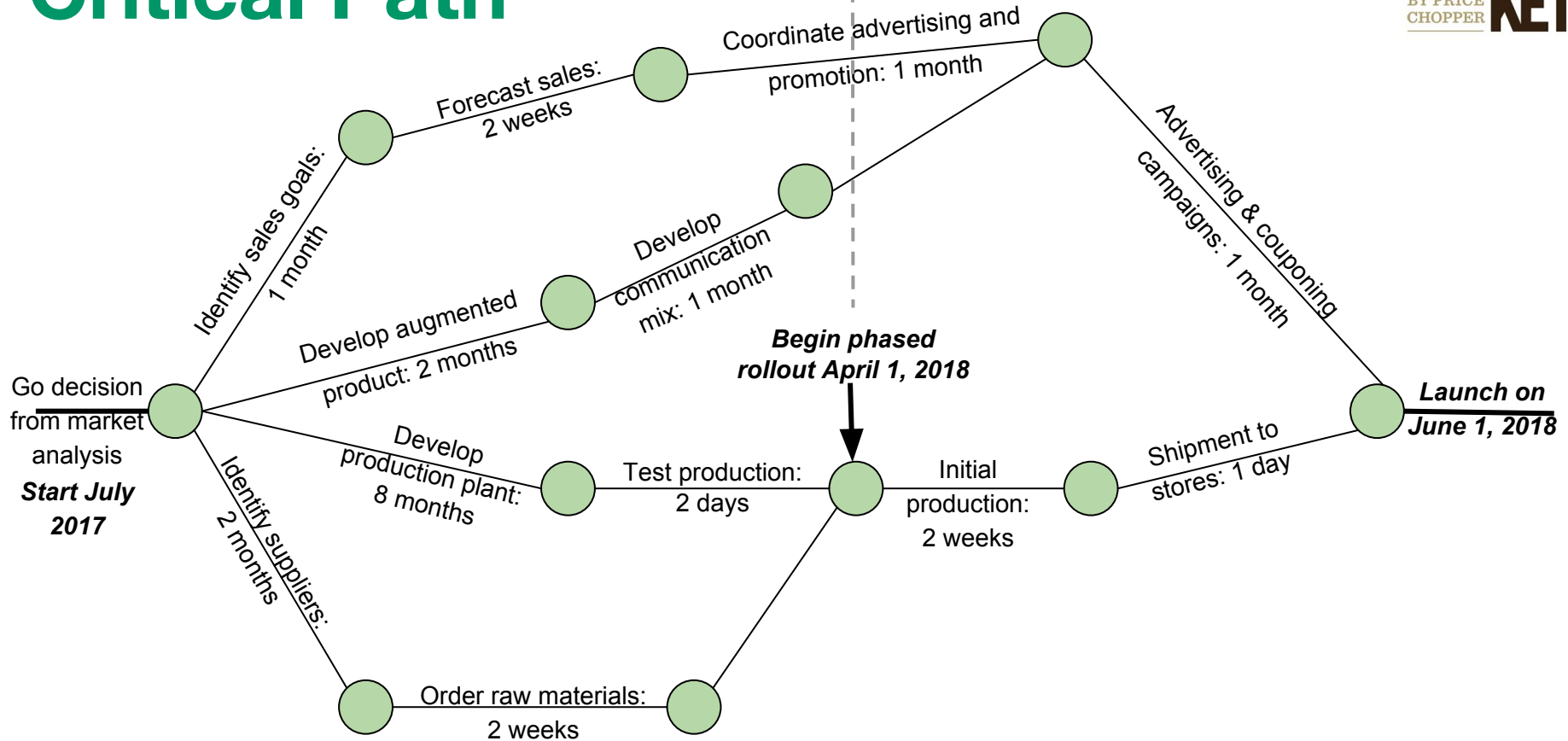


Heat map of millennial population changes; measured from Census Bureau data

- Characteristics sought by millennials:
 - Good job prospects & low unemployment rates
 - Urban areas close to college/place of work; short commute time
 - ZIP 12084 (Guilderland) = 25% millennials
 - Starting a family is the cue to move to suburbs
- Phased rollout:
 - Capital Region, NY
 - Worcester, MA
 - Watertown, NY

Circles represent density of Price Chopper/Market 32 locations 8

Critical Path



*Accounts for manufacturing considerations from Gate 2

Product Positioning

For health-conscious millennials, the Pics Mix N' Make Smoothie offers an on-the-go fruit smoothie option because it only requires water and hand mixing for preparation.



Product Packaging

Directions:

1. Remove **Mix N' Make Smoothie** from the freezer and let sit at room temperature for 5 minutes.
2. Add room temperature water to the bottle up to the top of label.
3. Screw cap on tightly and shake until smoothie is smooth.
4. Remove cap and enjoy your fresh **Mix N' Make Smoothie** immediately.

Label to include:

- Nutrition Facts
- Ingredients
- Vitamins Info
- Allergy Info

Additional Product Factors:

- Market 32 Return Policy
- FDA Food Safety Protections



Distribution (Place)

Exclusive distribution strategy

- Build loyalty
- Assist branding efforts, “millennial friendly”
- In-store and online

Shop by Department

Grocery

Categories

Breads & Buns (1)
Corn (2)
Food Items (19)
Fresh & Frozen Fruits (15)
Fresh & Frozen Vegetables (50)
Frozen Desserts & Novelties (30)
Frozen Dinners (381)
Hors d'Oeuvre Trays (1)
Ice Cream (393)
Juice (6)
See all 19 Categories

Brands

Atkins (14)
Banquet (18)
Ben & Jerry's (49)
Bertolli (10)
Birds Eye (71)
Blue Bunny (12)
Bomb Pop (3)
Boston Market (8)
Breyers (46)
Bridgford (1)
See all 98 Brands



Delivery Store:

873 New Loudon Road, Latham, NY, 12110
Change Delivery Store >

Grocery

frozen smoothie

Search

BROWSING Grocery

SEARCH ALL DEPARTMENTS

1,171 RESULTS

1 2 3 4 ... 59



Dole Smoothie, Fruit,
Strawberry Banana
• 4 oz

\$2.29

UNIT PRICE
\$9.16 PER POUND

1

Add to Cart

+ Add to Shopping List



Dole Smoothie, Fruit &
Veggie, Red Power
• 3.75 oz

\$2.29

UNIT PRICE
\$9.77 PER POUND

1

Add to Cart

+ Add to Shopping List



Smart Ones
Smoothies,...Banana, Thaw &
• 8 oz

Save 60+
Sale Price: \$1.69

UNIT PRICE
\$6.76 PER QUART
\$9.16 PER QUART

1

Add to Cart

+ Add to Shopping List



Animals Smoothie, Value
Pack
• 12 count

\$6.69

UNIT PRICE
\$2.88 PER POUND

1

Add to Cart

+ Add to Shopping List



Pics Mix 'N Make
Smoothie
• 12 oz.

\$2.00

UNIT PRICE
\$2.93 PER POUND

1

Add to Cart

+ Add to Shopping List

Price Point

- Pricing relative to competition, primarily the Dole Shaker at \$2.29.
- Based on updated cost of goods sold, we believe \$2.00 is feasible.
 - Variable costs (CoGS) = \$0.92/unit based on 15 wholesale prices.

Wholesale Smoothie Products	Wholesale price (\$/oz)
Big Train Vanilla Smoothie Mix	\$0.29
Bolthouse Farms Mango Super Premium Juice Smoothie Beverage	\$0.23
Bolthouse Farms Strawberry Banana Super Premium Juice Smoothie Beverage	\$0.22

Incentives

Reduce initial price to encourage consumer trial and adoption.

- Increase sales in short term.
- Help manufacturing partner to move along the learning curve.

Types of incentives

- Product bundles
- In-store sales
- Coupons

Media Schedule (Promotion)

Upon Launch:

- Coupon in circular [Monthly]
- iSave Machine coupons
- In-store signage:
 - Signposts & Freezer door clings
 - Up for couple weeks, repost seasonally (spring, summer)
- Sampling [Week surrounding launch]

Post Launch:

- Online marketing for Pics brand
 - Millennial target in stores in younger demographic areas
 - Suggest Facebook (CPC \$0.25-\$1)
 - Millennials are popular targets so likely more expensive



Budget Overview

Sales volume: 109,100 units/year

Price: \$2.00 /unit

CoGS: \$0.92 /unit

SG&A Expenses: 14% of sales

Tax rate: 39%

Net income per unit: \$0.51

Operating leverage: 1.35

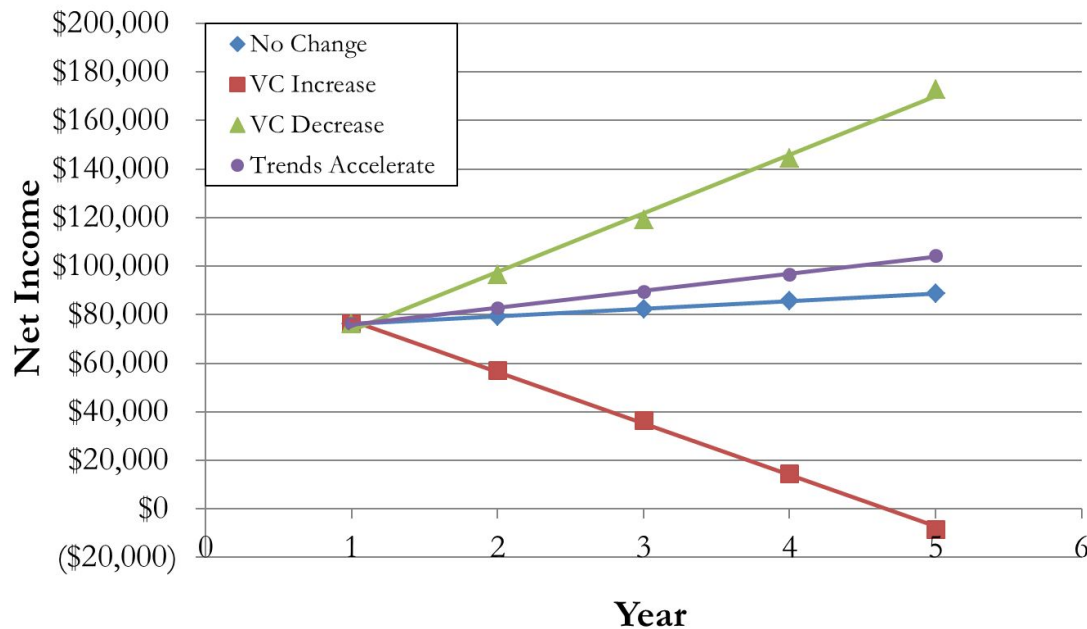
NPV: \$183,100

Income Statement: Year 1

Revenue	\$218,175
Less: Cost of Goods Sold	\$(97,241)
Less: Value of beginning F.G. inv.	\$(3,851)
Add: Value of ending F.G. inv.	\$992
Gross Margin	\$118,075
Less: SG&A Expenses	\$(30,655)
Less: Bad Debt Expense	\$(10,909)
Operating Income	\$76,511
Less: Interest	\$0
Taxable Income	\$76,511
Less: Income taxes	\$(29,763)
Net Income	\$46,748

What-If Analysis

- **No Change:** Growth in sales of 2.8% per year.
- **VC Increase:** \$0.20 /unit increase in VC each year.
- **VC Decrease:** \$0.10 /unit decrease in VC each year.
- **Trend accelerates:** Growth in sales of 6% per year.



Conclusions

	Startup	Year 1	Year 2	Year 3	Year 4	Year 5
Total project cash flows	(\$11,200)	\$46,700	\$48,500	\$50,400	\$52,300	\$61,600

- The project has a positive NPV of \$183,100 and an IRR of 419%.
- Despite the positive NPV, we are not factoring in opportunity costs.
 - What is the cost of using store area for one product vs. the next-best alternative?
 - This could significantly affect the overall feasibility of the venture.
- Startup costs are also likely understated.

To make this more sustainable:

- Need to substantially increase sales volume.
- Bundle with other millennial-centric products to push Pics brand.

Take Aways



- Market 32 becoming a niche supermarket player.
- Pull more millennials into the stores.
- Bundle the Pics Mix N' Make with other millennial centric products.



Questions & Comments?

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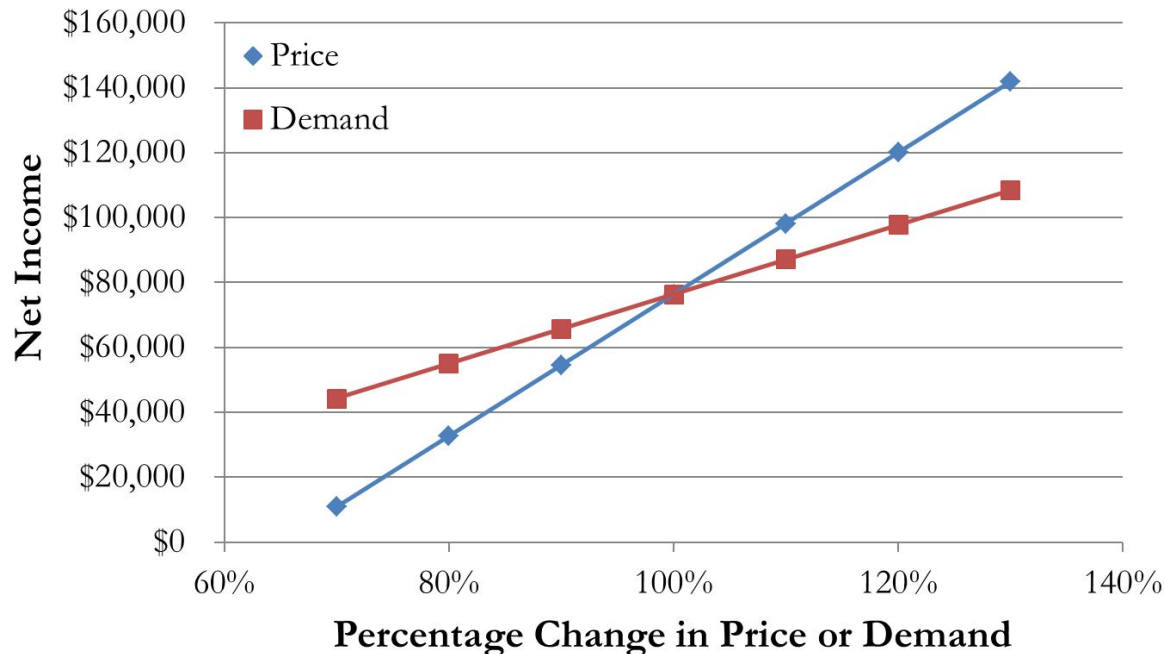
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Appendix

Sensitivity Analysis

We varied price or demand and measured changes in net income.

Result: Net income is more sensitive to price than demand.



Product & Pilot Testing

Initial Testing

- Focus groups consisting of random participants
- Find millennials from the Capital Region
- Number and size depends on initial results and need to pivot
- Test sweetness, consistency, and flavor using a likert scale
- Also evaluate willingness to buy and reasonable purchase price



Pilot Testing

- Contract space in existing food supplier plant
- Standardized equipment for washing, crushing, sealing, & labeling
- Train employees to be retained for full-scale production facility
- Determine processing time for manual tasks
- Identify manufacturing issues before full-scale launch