

**Purdue University 2011 NAMA Marketing
Team
Executive Summary**

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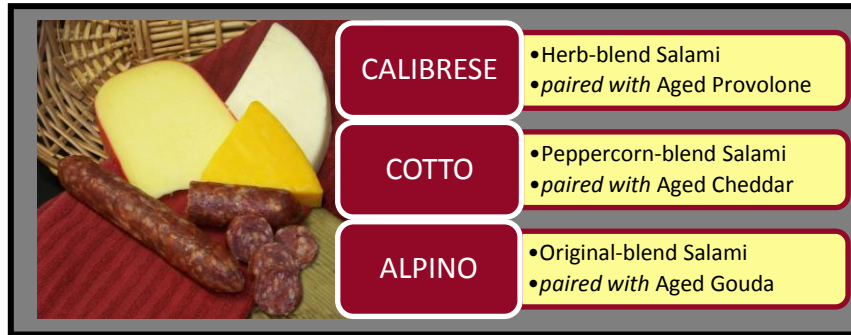
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INTRODUCTION

Hoosier Homestead is pleased to announce the launch of their new superior line of **natural, local, and specialty** cheese and pork products. A joint venture of two cooperatives located in Goshen, Indiana, Hoosier Homestead is comprised of 27 local dairy producers (United Natural Dairy) and 40 family-owned hog farms (Tri County Pork Producers). United Natural Dairy has been producing high quality, natural and sustainable milk for multiple generations. As a way to expand their product line and reach into the urban marketplace, United Natural Dairy partnered with Tri-County Pork Producers. The farmers of both cooperatives understand and know the benefits of using sustainable and environmentally safe practices. By marketing great tasting specialty cheese and pork products, Hoosier Homestead is connecting consumers with local producers.

Product

Hoosier Homestead embraces the region's heritage by crafting **natural, local and specialty** aged cheese and hard salami. These two traditional products have been bundled according to their complimentary savory flavors. The Herb, Peppercorn and Original blend all-pork salami is shaped in two 4 oz links strung together and cured for three years. The aged Provolone, Cheddar and Gouda cheeses are formed into 8oz. wheels and aged for three years, giving them a delectable taste. The natural aging process provides the cheese with probiotic benefits, which offer consumers increased gastrointestinal health, immune function and bone strength.



Packaging

The **natural, local and specialty** aged cheese is wrapped in brown market paper and encased with the sealed hard salami in twine netting. All sales will have three bundled options available to consumers. All products will feature a “Who’s Your Farmer” story tag attached, providing information about one of the cooperative member farms.

MARKET ANALYSIS

American consumers are spending over \$38.5 billion on specialty food products.¹ Specialty cheese alone has reached sales of over 900 million pounds and is one of the five most purchased specialty items.¹ Dry and semi-dry sausage has also seen a consistent increase in demand with 2011 sales projected at just over \$2.47 billion in the U.S.²

Market Trends

- Despite the troubled economy, some consumers will not substitute away from higher-priced natural cheese because they prefer “better-for-you” products.³
- Per capita consumption of specialty cheese has grown faster than total per capita cheese consumption.¹
- The U.S. food gift-giving market increased 8% over the past two years, with purchases of cheese and meat as specialty gifts both being on the rise.⁴
- U.S. consumers are willing to pay a premium for dairy and pork products raised on environmentally friendly farms.⁵

Market Outlet

Recent market research has shown that U.S. consumers who shop for natural foods with fresh and bold flavors would prefer to shop at Whole Foods Market and Trader Joe’s compared to any other large grocery chains.⁶ Whole Foods and Trader Joe’s have yearly sales of roughly \$8 billion and \$7.1 billion respectively.⁷



¹ Specialty Cheese Report, Agricultural Marketing Resource Center. 2008

² The 2006-2011 World Outlook for Dry and Semi-Dry Sausage, ICON Group International, Inc. 2005

³ Packaged Facts, February 2010

⁴ Boosting Immunity Through Digestion October 2009

⁵ US Census-American FactFinder- Decennial Census Data Set, 2000

⁶ Foodies in the U.S., January 2009

⁷ Natural and Specialty Cheeses, Packaged Facts, March 2010

Market Segment

Consumers who shop at Whole Foods and Trader Joe’s usually fit one of the following ‘Lifestyle Platforms’: 1) Foodie or 2) Healthy.⁸ The common thread between consumers in both platforms is that they enjoy eating primarily fresh foods that have been minimally processed.⁶

Consumer Demographics

Almost seventy-five percent of consumers who purchase specialty foods also purchase natural food products, and twenty-eight percent of specialty foods are produced locally.⁹ Individuals who fit the Foodie Lifestyle profile enjoy savoring freshness, having a nostalgic feeling for their cuisine, and indulging in exotic fine meals.⁶ Consumers who fit the Healthy Lifestyle eat for individuality and to be better people, as well as managing their concerns on food safety and health.⁶

Primary Target Market: Foodies [Foodie Lifestyle Platform]

- Foodies truly enjoy one or more of these food categories: Gourmet foods, food as an art form, spiced foods, fresh ingredients, and organic and natural foods.¹⁰
- 14.4% of U.S. adults (31.2 million people) are Foodies, with most residing in urban areas.¹⁰
- Foodies fall between the ages of 30-55⁷, with this age range also having the highest increase in consumption for foods known to contain natural probiotics.¹¹
- 29% of Foodies (or 4% of all U.S. adults, roughly 9.0 million people) are considered ‘natural foodies’, whose first and foremost concern is consuming natural foods.¹⁰

Secondary Target Market: Young Urban Professional [Healthy Lifestyle Platform]

- Young Urban Professionals’ primary concerns are health and convenience.¹²
- Knowledgeable about natural foods and consume them at least once a week⁹, correlating into a higher awareness of the health benefits of probiotics and consumption of products containing them.¹³
- Comprised of 4.9 million people in the U.S., most reside in urban areas and are between the ages 25-35.¹⁴
- Annual income over \$60,000¹⁰, with the highest percentage of their food dollars spent on specialty foods.¹⁵
- Show loyalty to Whole Foods Market and Trader Joe’s.¹⁵

Competitor Analysis

Foodies and Young Urban Professionals are demanding **natural, local, and specialty** products when making food purchases. Hoosier Homestead will compete in the cured meat and specialty cheese markets that consist of hard salami, summer sausages, dry sausages, and a variety of cheeses. Two different categories of competitors currently exist in the specialty cheese and salami industry. Large, national players, such as Hickory Farms and Harry and David, are names recognized by many consumers. Several regional competitors, such as Fair Oaks Farms, also play a role in the marketplace. Consumers are becoming increasingly concerned about where and how their food is produced, and Hoosier Homestead offers today’s consumer peace of mind by being a vertically integrated business. Hoosier Homestead’s cheese and salami is competitively priced using a value-added pricing scheme and by offering consumers a bundled product.

Attributes	Hoosier Homestead	Hickory Farms	Harry and David	Boar’s Head	Fair Oaks Farms	Frankenmuth Cheese Haus
Marketed Locally	✓				✓	✓
Sustainably Produced	✓		✓	✓	✓	
Farmer-owned Business	✓				✓	
Charitable Partnership	✓	✓		✓		
Natural Health Benefits	✓			✓		

⁸ Whole Foods Market Shopper Evolution Study, The Hartman Group, Inc. 2004

⁹ Today’s Specialty Food Consumer, The Food Institute, 2008

¹⁰ Foodies in the U.S., January 2009

¹¹ Yogurt: The Current Culture, Specialty Food, January 2009

¹² Whole Foods Market Case Study, Harvard School of Business, 2005

¹³ Boosting Immunity Through Digestion October 2009

¹⁴ US Census-American FactFinder- Decennial Census Data Set, 2000

¹⁵ Today’s Specialty Food Consumer, The Food Institute, 2008

Hoosier Homestead SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Locally & naturally produced ▪ Vertically integrated cooperative 	<ul style="list-style-type: none"> ▪ Lack of brand awareness ▪ Slow production response
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Increasing local food movement ▪ Convenience-driven society 	<ul style="list-style-type: none"> ▪ Competitor brand awareness ▪ Variability of input costs



BUSINESS PROPOSITION

Strategy Statement

Hoosier Homestead will provide a **natural, local and specialty** food product that appeals to today's food-conscious consumer.

Key Planning Assumptions

- Hoosier Homestead has been in production for 4 years.
- Hoosier Homestead will use the cooperatives' already existing production facilities.
- Tri-County Pork Producers and United Natural Dairy will remain in production.
- The major push for local and sustainable foods will continue.
- Cheese and salami will continue to be established foods in the targeted consumers' diets.
- The food gift industry will continue to experience growth due to convenience and appeal.

Value Added Partnership

The partnership between Tri-County Pork Producers and United Natural Dairy will increase the value of the products produced by the two cooperatives. Increased sales by marketing the cheese and salami bundle enables producers to receive a premium on the products, creating additional value for cooperative farmers.

Brand Awareness Goals

Hoosier Homestead will strive to become known as the Midwest provider of **natural, local and specialty** cheese and salami. The brand awareness goal will be accomplished by acquiring 40% recognition from our target market in phase 1, and 60% by the end of phase 2. The joint venture will utilize Google Analytics to gauge the returns for online promotions.

Brand Loyalty Goal

With a growing demand for **natural, local and specialty** foods, Hoosier Homestead intends to achieve at least a 99% customer satisfaction rate within the target area.

Strategic Alliances

- Miller Scales and Food Machines supplies all packaging, shipping materials and spice products.
- Excelsior Manufacturing and Supply provides package filler for online purchases.
- 21st Century Printing supplies "Who's Your Farmer" story tags and promotional materials.
- Great Fermentations will provide and distribute the necessary cheese cultures.
- Federal Express will provide shipping for online orders.

ACTION PLAN

To ensure effective market penetration, Hoosier Homestead will introduce its product in a two phase rollout. Operations will begin in the 2011 fiscal year, to make certain that products are available during the peak sales season. Hoosier Homestead will employ two sales forces, one to handle in-store relations with Whole Foods and Trader Joe's and one to work with promotional activities throughout our targeted area.

Price



Phase 1- FY 2011

Place

Hoosier Homestead will focus on marketing to the surrounding urban areas of Indiana, Michigan and Ohio within 250 miles of our location in Goshen, Indiana. The company’s aged cheese and salami will be introduced to Whole Foods and Trader Joe’s. Within these states, web sales will be available through the company’s website.

Promotions

Social Media: Hoosier Homestead will initiate their marketing plan through a social media blitz integrating social network sites, blogs, media sharing sites, and social news. Facebook, LinkedIn, Twitter, YouTube, and blogs are frequent network stops for Foodies. Hoosier Homestead’s specific sites will feature consumer and chef testimonials, discounts, recipes, company updates and continued community support.



Food Festivals: Hoosier Homestead will attend four wine festivals that encompass the Indiana, Michigan and Ohio markets. Sales representatives will attend each festival offering the **natural, local and specialty** cheese and salami samples to gain brand awareness. Product will be available for sale.

Distribution Phase 1	
Trader Joe’s	Whole Foods
Indianapolis, IN (2)	Indianapolis, IN (2)
Cincinnati, OH (2)	Ann Arbor, MI (2)
Columbus, OH (2)	Detroit, MI (3)
Cleveland, OH (2)	Columbus, OH (2)
Ann Arbor, MI	Cincinnati, OH (2)
Detroit, MI (5)	Cleveland, OH (2)
Distribution Phase 2	
Trader Joe’s	Whole Foods
Chicago, IL (12)	Chicago, IL (17)
La Grange, IL	Louisville, KY
Glen Ellyn, IL	Lexington, KY

Retail Promotions: Retail sales will be encouraged through product samples and retail advertisements. Manufacturer’s coupons will be distributed via the website and social media sites. Online purchasers can take advantage of promotional codes found on these sites. Whole Foods retailers offer monthly wine tastings where they will also feature Hoosier Homestead cheese and salami samples.

Media Kit: An inclusive media package has been assembled for convenient media exposure to all available outlets. This package entails current press releases, contact information, sales sheets, testimonials, company information and an example of our customized “Who’s Your Farmer ” story tag.

Community Support: Hoosier Homestead has partnered with the Midwest Sustainable Agricultural Working Group, who shares their values of providing a safe, nutritious, ample, and affordable food supply. Both Hoosier Homestead and the Midwest Sustainable Agricultural Working Group are comprised of local farms working to make a living while protecting the environment and contributing to the strength and stability of their communities.



Phase 2- FY 2012-2013

Place

The second phase of expansion will place Hoosier Homestead in Illinois and Kentucky cities. Web based sales will become available in these states.

Promotions

Print Media: Hoosier Homestead will unveil an array of print media in magazines targeting specific cities. Edible Communities, a popular Foodie magazine, has magazines specifically for Chicago, IL, Indianapolis, IN and Columbus, OH. The Michigan market will be targeted through Michigan Food and Wine magazine.

Chicago Food Festivals: Sales reps will attend two wine festivals, the Windy City Wine Festival and the Tinley Park Brew and Vine Festival, as they begin to promote to the greater Chicago area.



Customer Relations: Hoosier Homestead employs a direct email program after an online order is placed. An online thank you message expressing the company’s appreciation will be sent to each customer that provides an email address. Hoosier Homestead will send holiday brochures by email for easy ordering.

MONITORING AND MEASUREMENT

To guarantee Hoosier Homestead meets their expected goals, the joint venture has several measures in place to evaluate their success.

Evaluation Area	Monitoring Methods	Contingency Plan
Sales (In-store/online)	Monitor and examine sales (on-line and in-store) and utilize media kit consumer surveys with some attention to Google Analytics for website monitoring.	(+) Demand: Use co-op product reserves to meet increasing demand, consider focusing on demanding regions before pursuing entire rollout. (-) Demand: Examine current regional rollout and consider evaluating on specific four P's of firm.
Profit	Examine financial reports; utilize key financial ratios to measure profitability.	Assess current price position of product, review production processes and operations to make more efficient.
Customer Satisfaction	Utilize Media Kit surveys and Google Analytics to evaluate product results.	Address areas of customer concerns and problems. Focus on making adjustments to meet their satisfaction.
Market Penetration	Monitor and examine sales and brand awareness by utilizing Google analytics along with media kit consumer surveys.	Adjust advertising strategies and examine Google Analytics to achieve a more efficient strategy.
Social Responsibility and Ethics Assessment	Conduct in-store surveys; evaluate company's actions with regard to description of firm.	Review Media Kit surveys along with Google Analytics to make adjustments as needed.

FINANCIAL

Hoosier Homestead will use existing production and storage facilities to produce the **natural, local and specialty** cheese and hard salami. The joint venture will gain \$12.79 for each unit sold, with a final MSRP of \$15.99.

CONCLUSION

Hoosier Homestead will produce **natural, local and specialty** cheese and hard salami in the Great Lakes region to offer convenient, all-pork salami paired with aged probiotic cheese. The company's commitment to its communities will be proved through our alliance with the Midwest Sustainable Agriculture Working Group. With an increasing demand for locally produced food, Hoosier Homestead will provide Foodies and Young Urban Professional with food products that will satisfy their culinary palate.



Income Statement			
	FY-2011	FY-2012	FY-2013
Sales			
Cheese and Salami Units Sold	50,722	167,814	259,546
Cheese and Salami Price	\$ 12.79	\$ 12.79	\$ 12.79
Net Sales	\$ 648,732.33	\$ 2,146,343.11	\$ 3,319,587.71
Production Expenses			
Dairy Input	\$ 43,113.56	\$ 142,642.04	\$ 220,613.73
Cheese Processing	\$ 61,434.29	\$ 203,256.51	\$ 314,361.58
Pork Input	\$ 235,494.26	\$ 779,137.17	\$ 1,205,032.96
Pork Processing	\$ 24,092.87	\$ 79,711.73	\$ 123,284.14
Packaging	\$ 40,577.47	\$ 134,251.33	\$ 207,636.45
Shipping	\$ 8,124.48	\$ 10,832.64	\$ 11,735.36
Total COGS	\$ 412,836.94	\$ 1,349,831.41	\$ 2,082,664.21
Gross Profit	\$ 235,895.39	\$ 796,511.69	\$ 1,236,923.50
Marketing Expenses			
MSAWG	\$ 6,487.32	\$ 21,463.43	\$ 33,195.88
Print Media	\$ 3,000.00	\$ 17,500.00	\$ 17,500.00
Social Media	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00
Website	\$ 9,456.00	\$ 5,432.00	\$ 5,432.00
Media Kit	\$ 10,240.00	\$ 10,240.00	\$ 10,240.00
Food Festivals	\$ 4,523.20	\$ 5,279.00	\$ 5,279.00
Taste Testing	\$ 16,627.00	\$ 40,928.00	\$ 20,464.00
Brochure and Mailings	\$ 8,099.58	\$ 25,874.19	\$ 39,799.02
Total Marketing Expenses	\$ 76,433.10	\$ 144,716.62	\$ 149,909.89
Operating Expenses			
Admin. Compensation and Benefits	\$ 360,000.00	\$ 360,000.00	\$ 370,000.00
Facilities/ Utilities cost	\$ 135,750.00	\$ 135,750.00	\$ 135,750.00
Monitoring and Measuring	\$ 1,297.46	\$ 2,146.34	\$ 3,319.59
Quality Control	\$ 1,946.20	\$ 6,439.03	\$ 9,958.76
Total Operating Expenses	\$ 498,993.66	\$ 504,335.37	\$ 519,028.35
Total Expenses	\$ 988,263.70	\$ 1,998,883.40	\$ 2,751,602.46
EBIT	\$ (339,531.37)	\$ 147,459.70	\$ 567,985.25
Profit Margin	-52.34%	6.87%	17.11%