Marketing Plan

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[Sustainable Packaging Solutions]
Executive Summary

Eco-Fresh is a new concept for fresh food packaging. End consumers purchase fresh food, in particular meats, in reusable containers which can be brought back on the next grocery store visit to hold new purchases.

The appeal of Eco-Fresh is expected to achieve a return on investment (ROI) of 15% in the first year of operation.

Eco-Fresh container features:

- air tight seals to preserve freshness
- durability; lasts for numerous years
- recyclable
- dishwasher safe
- multipurpose; can be used to store other foods

This marketing plan will address the following:

1. How current trends demonstrate the need for Eco-Fresh.
2. Potential threats from indirect competitors.
3. Selection of a target market segment.
4. Strengths, weaknesses, opportunities, and threats to Eco-Fresh.
5. Eco-Fresh’s business strategy.
6. A tactical plan to implement Eco-Fresh on a test basis and a plan of control.
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Analysis of the Macro Environment

Social Trend
Compared to the 1990s, Canadians in the 21st century have greater access to recycling programs and have increased their use of these programs. A survey by the Waste Management Industry in 2004 showed that of all household waste produced, almost 3.6 million tonnes were diverted to recycling (instead of the landfill), which is a 65% increase from 2000 (Statistics Canada, 2007).

Besides the individual efforts towards creating less waste, governments are taking actions too. In May 2007, the Ontario government began a consumer incentives program to reduce plastic bag use. The government partnered with the Recycling Council of Ontario, grocers, and retail associations to reward consumers for using reusable bags. These social policies and factors suggest that society’s concern for the environment is increasing.
Economical Trend
In 1990, 3.8% of the total supply cost is container and packing supplies. In comparison to 2.9% in 1997, there is a decrease in consumption of containers and packaging supplies (Statistics Canada, 2008).
This shows that people are willing to reduce unnecessary waste. In the food industry, there are $2653 million used for food packaging (Statistics Canada, 2008).

![Consumption of Containers by Industry Group](image)

This is almost doubled the number from the beverage industry and three times as much as the chemical industry. In the year 1997, $1478.9 million were spent on plastic and packaging of which, $783.3 million are from the food industry (Statistics Canada, 2008).
This is more than 50% of the total expenditure on plastic and packaging from the food industry. These data illustrate that the food related industry consumes most of the packaging proving an opportunity for Eco-Fresh to enter the market as an alternative solution.

**Industry Trend**

The industry in general is starting to take their sustainability strategies more seriously and taking more publicly visible actions. Even retailers such as Wal-Mart with an emphasis on low costs have implemented sustainable packaging initiatives; providing guidelines on how they grade and consider packaging when purchasing products. Most of the major retailers have statements of commitment to increase sustainable practices and product options but most of the current offerings are in the infancy stage. This suggests there will be a market interest in Eco-Fresh.
Current Market Situation

In 2006, gross revenues for the supermarket industry in Canada were $65,298,843 (thousand dollars) with operating expenses of $14,112,660 (thousand dollars); operating expenses are approximately 22% of revenue (Statistics Canada, 2008). There are many different retail outlets for supermarkets such as Safeway, IGA and Real Canadian Superstore. Safeway alone has more than 1740 stores in North America. Currently, these grocery stores are using foam trays, made of polystyrene, for their products; especially in their fresh food departments.

The market is very attractive because of these factors:

- Market size: annual revenues for supermarket industry is $65,298,843 thousands (Statistic Canada, 2008)
- There are $793.3 million used in food packaging annually (Statistic Canada, 2008)
- There is no substitute product in the market yet
- The market is saturated by polystyrene trays
- These polystyrene trays are one functioned; non-reusable and non-recyclable, which opposes the current environmental sustainability trend
- Ease of entry: low overhead costs and readily available industry and technical information
- Opportunity to reduce operating costs in the long run

Eco-Fresh is estimated to attain 1% of the current market targeting only the higher-end large supermarkets chains in the beginning. It is estimated Eco-Fresh can help grocery
chains reduce their operating expenditures and increase customer retention. Overtime, grocery chains will replace polystyrene trays with Eco-Fresh containers. With the rising awareness of environmental issues, more supermarket chains will be interested in Eco-Fresh.

**Environmental Analysis**

**Competitor Analysis**

The market for polystyrene products has approximately 60 firms competing in an intense fashion. These firms vary in size, product lines, quality of service, brand positioning and price. These firms range from as small as 20 employees to hundreds of employees in size.

Most polystyrene related companies operate within both market segments: commercial and construction. Polystyrene product companies can be grouped into the following categories:

- Manufacturer
- Producer
- Processor

Eco-Fresh’s main competitors in this industry are outlined below.

**Dyne-A-Pak Inc.** Dyne-A-Pak Inc.’s primary business roles are manufacturer, processor and producer. They mainly manufacture polystyrene foam product such as foam meat trays, padded trays and foam fast food containers. Their market targets are grocery chains, food distributors, fast-food outlets, bakeries and meat packers across
Canada and Eastern USA. The company’s marketing strategy is to provide their clients with products of various sizes, shapes and colors using safe modern production processes. They have strict quality control measures to insure their products meet industry standards (Industry Canada, 2008)

**Noboco Styro Containers Ltd.** Noboco Sytro Containers Ltd.’s primary roles are manufacturer, processor and producer. They mainly manufacture polystyrene boxes for coolers and fish boxes. The company offers the following services in western US and Canada (Industry Canada, 2008):

- Packaging consulting: identify packaging needs and design custom tailored solution
- Custom printing: printing on the products to ensure brand recognition in marketplace
- Trucking

**Customer Analysis**

The target customers for this product are major grocery retailers in Western Canada: Safeway, Save-On-Foods, and IGA. The grocery retailer industry has a basic oligopoly structure with a few firms controlling the industry and commanding a lot of market power. Due to the oligopoly structure, and the fact that the products offered by each retailer are perfect substitutes for the other retailers’ products, there is a fair amount of competition between the retailers. Because of this, most retailers attempt to match their competitor’s offerings to each customer segment. If one retailer adopts an innovative
strategy to retain customers, such as offering environmentally friendly reusable bags, the other retailers will quickly adopt the same strategy to avoid losing market share.

**Customer Segments**
The major grocery retailers have differentiated their stores to attract different customer segments. Most major retailers have an “a-typical” store: standard pre-packaged fresh meats and produce, and small display areas for fresh products. The other store style is the “garden market” which is differentiated from the a-typical store by having larger fresh produce and meat display areas, often with a larger butcher and deli section with large displays of fresh un-packaged product.

The “a-typical” store is aimed at the more price sensitive end consumers. The stores tend to have large dry and bulk goods sections, and have less “green” product offerings due to the price premium these products command. The “garden market” stores are aimed at less price sensitive end consumers who are willing to pay extra for fresh and eco-friendly products.

**Key Decision Making Personnel**
This section will focus on Safeway’s process for satisfying its merchandising product acquisitions, but all three major retailers in Western Canada have similar processes. Retail Marketing Solutions Canada Inc. (RMS) is a privately owned corporation dedicated to Safeway, and organized to meet the merchandising needs of Canada Safeway Ltd.

**RMS Structure**
Category Managers in RMS are responsible for reviewing and approving new products in a timely manner in order to ensure Speed-to-Market.

**Customer Needs and Trends**
As stated before, many major retailers now offer reusable bags as an alternative to the traditional plastic bags. These reusable bags are not free, and the end consumers are willing to pay a one-time fee for the purchase of them, proving that the grocery retailers' customers will be willing to pay extra for environmentally sustainable packaging solutions.

One type of packaging that all major grocery retailers have is fresh meat packaging. Due to sanitary reasons, and health and safety regulations, all fresh meat must be separately sealed and contained. Currently all major retailers use the same packaging solution: polystyrene foam trays, wrapped with plastic wrap to safely contain the meat product. Deli meat is currently packaged in plastic bags. Both packaging solutions are
single use solutions, and the polystyrene trays are only recycled in limited facilities in Canada.

**SWOT Analysis**

**Strengths**
- Eco-Fresh will attract and retain less price sensitive eco-conscious end consumers, increasing the retailers market share in a desirable consumer segment.
- Eco-Fresh has all the functional benefits of the traditional packaging with increased functional and augmented benefits, including increased environmental sustainability.
- Eco-Fresh offers versatility and convenience since the containers can be used to hold various other items around the home and food can be refrigerated directly within the containers without leaks.

**Weaknesses**
- Higher per unit cost of our product must be passed on to end consumers, making the initial purchase more costly than the traditional packaging solution.
- End consumers must remember to bring back the reusable containers for reuse.

**Opportunities**
- Environmentally friendly packaging solutions are gaining popularity among less price sensitive end consumers.
• Innovative packaging solutions are a successful way for major grocery chains to differentiate themselves from their competitors to gain market share and customer loyalty.

• Grocery retailers are in a stable industry with steady growth since there will always be a demand for food, and the major retailers have a stable market share which should ensure a strong customer base for Eco-Fresh.

• Current meat and deli packaging solutions are single use, and not very environmentally friendly creating an opportunity for a more sustainable packaging solution.

Threats
• Few key decision makers for major grocery retailers so the risk of product failure is high if the decision makers are unreceptive to our product offering

• Major grocery retailer may chose to develop their own reusable solution with their own manufacturing facilities or with another packaging manufacturer they currently deal with

Objectives to be Achieved by the Marketing Plan

Financial Objectives
• Achieve a return on investment (ROI) of 15% to attract initial investment

Marketing and Sales Objectives
• Achieve a supplier agreement with at least one major grocery retailer to distribute Eco-Fresh in at least 15% of their stores

• Expand our supplier agreement to increase distribution of Eco-Fresh
• Expand to supply other major retailers in Western Canada market
• Expand to supply other regional markets
• Develop new fresh product reusable packaging solutions to increase product offerings and increase sales

**Marketing Strategies**

Eco-Fresh will target up-scale major grocery chains due to their customer base being more willing to pay a premium for better quality, easing the adoption of Eco-Fresh. The strength of Eco-Fresh is in its alignment with increased environmental sustainability awareness, versatility, and convenience. Eco-Fresh can eliminate the need for polystyrene trays because its containers last for many years.

Eco-Fresh positions itself superior to its competitors with a brand concept of being an environmentally sustainable and multipurpose packaging solution. Eco-Fresh embodies a product leadership strategy. In its initial stage, Eco-Fresh is directed at fresh food departments of grocery chains and envisions future expansion into other areas of food packaging (e.g., bulk food containers).

**Development of New Markets**

After awareness of Eco-Fresh is made and accepted into the routine of end consumers, the underlying concept of Eco-Fresh can be expanded into reusable containers for bulk foods. The ultimate goal would be to have virtually all unnecessary packaging eliminated from grocers. Later, moving away from the grocery chain market, this concept can be applied to toiletries such as toothpaste, lotions, etc.
Channel of Distribution
The necessary containers are obtained from manufacturers; transportation is organized to have the Eco-Fresh logos imprinted. Delivery will then be arranged for the delivery to grocery retailers.

Marketing Communication Strategy
To promote consumer awareness in our customer’s store, banners and signs will be provided to be displayed in the fresh food department to educate end consumers of how Eco-Fresh containers work.

Sample Sign 1

![Sample Sign 1]

Sample Sign 2

Price Strategy
Two-part pricing will be used: a single price for a set quantity of containers and any extra containers will be billed at $2 each. It is recommended that grocery retailers charge their end consumers a small premium on the purchase of Eco-Fresh packaged fresh foods (eg. an additional $1).
Sample Price Listing

<table>
<thead>
<tr>
<th>Bundle (# of containers)</th>
<th>Price of Bundle</th>
<th>Additional Units</th>
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</thead>
<tbody>
<tr>
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<td>$900</td>
<td>$2</td>
</tr>
<tr>
<td>1000</td>
<td>$1,750</td>
<td>“</td>
</tr>
<tr>
<td>5000</td>
<td>$8,500</td>
<td>“</td>
</tr>
<tr>
<td>10,000</td>
<td>$16,000</td>
<td>“</td>
</tr>
</tbody>
</table>

Tactical Plans

1. Sell idea to Safeway's downtown Vancouver location where Eco-Fresh will be launched on a test basis before implementation in all locations.

2. Of the fresh cut meat, 30% will be packaged in Eco-Fresh containers. This percentage is chosen to test the acceptability of consumers.

3. At this time, to entice our Safeway to try Eco-Fresh, we will only charge them for the containers sold.

4. This testing phase will persist for 3 months time.

5. By the 4th month, we will charge regular price for the Eco-Fresh containers.

6. After 6 months, the success of Eco-Fresh at this location will promote our customer to introduce the system to its other locations.

7. For 6 months from the time the test pilot is launched, weekly store visits will be made to gather data on the sale of Eco-Fresh packaged products. This information will allow for estimations on the delivery of any additional containers.
Budgets and Project Profit and Loss Statement

<table>
<thead>
<tr>
<th></th>
<th>This Year</th>
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<tbody>
<tr>
<td>Sales</td>
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</tr>
<tr>
<td>Profit</td>
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<td>Market Share</td>
<td>1%</td>
</tr>
<tr>
<td>ROI</td>
<td>15%</td>
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</tbody>
</table>

Marketing Plan Control

Eco-Fresh will use several tools to evaluate and control the marketing plan. Trend analysis will be used to examine sales by customer store location. Eco-Fresh will monitor customer and end-consumer feedback. Eco-Fresh will re-evaluate its marketing strategy every 6 months to ensure alignment with organizational goals.
References


