



Food Processor

BUSINESS PLAN

RIO GRANDE

12659 San Ablo Blvd.
Santa Fe, New Mexico

This business plan is for a food processor within the specialty foods industry who will be using various marketing strategies to reposition their product and become a reknowned manufacturer of high quality foods. The following plan will outline the products history, competition, potential new markets, and promotional opportunities.

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EXECUTIVE SUMMARY

Rio Grande Foods is a food processor in the specialty foods industry (SIC 2033) and sells its products on a wholesale basis to brokers, distributors, and retailers. The present product mix is one product wide and the line is two products deep. The product is Rio Grande Salsa Picante, which can be found in a 16 oz. Paragon jar in both mild and medium heat levels. The salsa is a rich textured, home style salsa which sustains the individual flavors of the all-natural ingredients. The ingredients are as follows: diced tomatoes, garlic, cilantro, onions, jalapeno peppers, salt, and a trace of organic vinegar.

Rio Grande Foods utilizes a co-packer for processing purposes. A co-packer is a company that has the facilities to process foods for public consumption. In order to be an acceptable and legitimate co-packer, the company must be certified by the Food and Drug Administration and the New Mexico Department of Health. Rio Grande Foods' co-packer is C & D Mexican Foods. Taking marginal costs and operating expenses into consideration along with primary competition prices, Rio Grande Salsa Picante's wholesale cost is \$2.25. The company's primary competition has its product priced at \$2.50 on the wholesale level. Rio Grande Salsa Picante can be found at three different concept stores - grade "A" grocery stores, specialty food stores, and gift shops. Rio Grande Foods utilizes mostly push strategy efforts through the use of guerrilla warfare tactics. The type of sale promotions utilized are trade oriented in the form of credit terms, discount offers, and occasional volume discounts. Consumer oriented sales promotions will be through the print media, such as point of purchase recipes and some couponing (premiums). Rio Grande Foods mission is to earn a position in consumers minds as a manufacturer of high quality Mexican foods in the specialty foods industry. The company will do this by producing products that have an authentic texture and flavor by using the highest quality ingredients possible. Objectives are to be positioned in the specialty foods market throughout New

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Mexico by 1998 with sales volume increasing 9% on an annual basis. These figures will be based on the number of case units sold annually (12/16 oz. Pack). The company has a .03% market share at the present time and has goals of attaining a .0316% hold on the market by the end of the third quarter in 1995.

SITUATIONAL ANALYSIS

Business and Product Service Description

The Industry

Rio Grande Foods is in the processed foods industry. The Standard Identification Classification code for this industry is 2033. More specifically, Rio Grande Foods is in the specialty foods industry procession and wholesaling Mexican salsa picante. Specialty products are foods, beverages or confections meant for human use that are of the highest grade, style and/or quality in their category. The specialty food nature derives from a combination of some or all of the following qualities: their uniqueness, exotic origin, particular processing, design, limited supply, unusual application or use, extraordinary packaging or channel of distribution has been growing strong since the 1950's and is now beginning to stabilize the rate of growth. This specialty foods segment is small compared to the highly commercialized market in which Pace foods and Old El Paso venture. Being that this is a relatively small industry the composition of it consists of several small independent processors and wholesalers. Even though the niche of the specialty foods industry is small, it was worth \$30 billion in 1993. The condiment segment itself is worth \$13 billion. Rio Grande Foods' products are aimed at middle aged consumers with high disposable incomes. However, prices are much lower than most competitors that other income brackets can afford to purchase a specialty Mexican salsa. Rio Grande Foods has had great success thus far in its start up period. The high quality and fancy packaging go hand in hand with the authentic flavor of Mexican salsa picante. The availability of two heat levels allow for access into other consumers tastes. Larger product mixes of other companies are forcing Rio Grande Foods to develop other products in the future.

Mission and Objectives

Rio Grande Foods' mission is to earn a position in consumers minds as a manufacturer of high quality foods in the specialty foods industry. This will be done by producing food products that have an authentic texture and flavor by using only the highest quality ingredients. Objectives are to be positioned in the specialty foods market throughout New Mexico by 1988 with sales volume increasing 9% on an annual basis. These figures will be based on the number of case units sold annually (12/16 oz. Pack).

The Product

Rio Grande Salsa Picante is a rich-textured, home style salsa which sustains the individual flavors of 100% all-natural ingredients. The ingredients consist of diced tomatoes, garlic, cilantro, onions, jalapeno peppers, salt, and a trace of vinegar. They combine to yield a product that has no fat, 2 grams of carbohydrates, 2% vitamin A, and 10% vitamin C. Rio Grande Salsa Picante has no artificial preservatives, fillers, oil, water, or sugars. This is what distinguishes it from other brands and qualifies it as a specialty food. The packaging is also very attractive. It has a very "classy" and conservative look at the same time. The trademark is a ristra of chiles and the name Rio Grande written in a vibrant red. The background is a chipped stucco wall that exposes bricks. It helps amplify the authenticity of the product.



Market Environment

Market Potential

Market potential for the condiment segment is very high. The two highest ranking condiments are Mexican salsa and ketchup, first and second respectively. Since Mexican salsa is out selling ketchup it is apparent that there is a lot of room for growth within this segment. Recently, there has been some growth within minority ethnic populations and sales are expected to increase in the specialty food industry as a whole. The Hispanic population has seen a 38% increase since 1980 along with a 71% income increase. Also, several cooks have developed recipes which contain Mexican salsa, for example, chile con queso and salad dressings.

Market size

The current market size of Rio Grande Foods is held within Santa Fe, NM. The customer base on the wholesale level is made up of 10 companies for a total of 16 retail store locations. All of these accounts handle a vast variety of specialty foods. The market size is expected to grow steadily.

Demand Trend for Product

Mexican salsa picante has reached a point of saturation in the southern part of the United States. A shake out is presently occurring, large wealthy processors are riding out losses for long periods at a time by offering sales promotions and price savings. They are trying to keep customers from buying the competitions brands so that their competitors might go out of business. However, this is going on in the high volume commercial market. In the specialty foods industry, prices are not going down, the product mixes are going up per company. All sorts of varieties are beginning to appear. J. Jose's has a Mexican salsa, a salsa verde, chile con queso, spices, candies, hot sauces (Tabasco style), mayonnaise, tartar sauce, and gift boxes. End consumers like to be different and daring. Mexican fruit salsa is the latest in the market, with variations such as peach, strawberry, pineapple, and other strange and exciting flavors. Rio Grande Foods plans to diversify its product line offerings so that it might be able to increase revenues and consumer interest.

Current Market Segments

Rio Grande Foods' is only supplying retail stores in three categories. They are grade A grocery stores, specialty food stores, and gift shops. An example of a grade A grocery store is J.E.B. Marketplace in Santa Fe, NM. These are the larger grocery stores that large grocery chains, such as J.E.B. open in locations near large upper income locations. They carry all of the highly commercialized grocery and general merchandise, but they also carry some specialty food items. About 24% of their total merchandise is specialty food items. These stores are normally close to several small populations with access from several different locations. Specialty food stores are generally small in size yet very fancy or unique in design. They are located in or near wealthy neighborhoods. They only carry specialty food products. The average cost for a 16 oz of Mexican salsa at these stores is \$3.75. An example of a specialty food store would be Farm To Market on Taylor Hwy. in Santa Fe, NM. Products found in these stores' gift shops are normally products that are indigenous to the city or state in which it is located. The reason for this is that the majority of the customers are tourists. They are located near tourist attractions in cities or in major malls. An example of a tourist gift shop is Toddies in Franklin Mall located in downtown Santa Fe, NM. All of these stores have one thing in common, they all attract specialty food enthusiasts.

Market Segment Currently Targeted

The market segment currently targeted are individuals that fall into the following categories:

- 35-44 years old



- married
- home rented (not owned)
- income of \$50,000 and over
- dual income household

Of the people who will fit in above, these are the top ten lifestyles ranked by index:

Wines	328
Fine Arts/Antiques	223
Attend Cultural Arts Events	201
Fashion Clothing	199
Foreign travel	199
Real Estate Investment	192
Health Foods/Vitamins	181
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Immediate Competitors

Rio Grande Foods' immediate competitor is J. Jose's. J. Jose's has a product mix of 11 products with an average depth of 3. They have Mexican salsa (red), salsa verde, chile con queso, mayonnaise, tartar sauces, Tabasco style hot sauce, spices candies, olives, mustard, and chips. Other competitors are New Canyon Farms, Don Jovencio's, Rio Diablo, Truly Texas, Guiltless Gourmet, and Rose's. These all process specialty salsa in the same market segments, however, they are priced slightly higher.

Different Advantage(s) by Segment

Rio Grande Foods has an overall lower cost throughout the channels. On the wholesale Rio Grande Salsa Picante is priced lower, thus allowing the retailer to still meet their pricing margins and at the same time the product has a lower retail price. Rio Grande Salsa has a fancy package in a competitive container. The label also reveal nutritional facts about the product unlike the competitor's products.

Product Usage

Members of the targeted market enjoy Rio Grande Salsa Picante on an occasional basis. A consumer can expect to pay anywhere from \$1.99 to \$3.50 for a 16 oz. jar of Rio Grande Salsa Picante. The consumer is beginning to be inventive by using salsa on almost anything that has cheese, vegetables, or meats, along with several other dishes.

Comparison of Competitive Players

This year Rio Grande Foods saw sales increase by 200% by the end of the second quarter as it began establishing and broadening its customer base. In terms of volume, sales increased from 1993 sales of 82 cases to 1994 third quarter sales of 244 cases. In terms of market share, some difficulty is encountered because of the



fragmented and small specialty Mexican salsa market. In the specialty Mexican salsa market, the market leaders J. Jose's and New Haven Farms who hold 34% and 27% respectively when the 23.8% allocated below will show how small the specialty food market is compared to the entire Mexican salsa market as a whole.

	Sales (\$mil.)	Market Share
Pace	\$153.0	28.2%
Old El Paso	120.8	22.3%
Frito-Lay	55.8	10.3%
Chi-Chi's	45.6	8.4%
Ortega	37.9	7.0%
Other (specialty/private label)	129.5	23.8%

Mexican Sauce Top Brands

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The category titled other does not only consist of specialty food processors in the specialty food industry, but countless other small private label companies selling in mom and pop convenience stores, grocery stores, and even to friends.

Comparison of Competitor's Resources/Willingness

After having viewed the breakdown of market share and Rio Grande Foods' sales volume, it is plain to see that this company is only a pebble in a quarry when compared to J. Jose's. Jose's has a larger flow of capital and has a higher inventory turnover rate compared to Rio Grande Foods. Rio Grande Foods has a lot of growing up to do before it even becomes a contended or an actual threat to Jose's. Jose's has a large product mix with great adequate depth in each line. They have consumer recognition due to the large amount of shelf space they occupy in the stores. Jose's know the tricks of the trade in production, distribution, and direct marketing, because they have been in the game longer than Rio Grande Foods. There is a new contender in the market that could pose a threat for Rio Grande Foods in the future. The name of the Mexican salsa is Chili's. Chili's utilizes the same 16 oz. container as Rio Grande Foods and has a mild, medium, and hot Mexican salsa picante. They are small players like Rio Grande foods with potential to grow and increase market share.

Additional Segments to Target

Rio Grande Foods would also do very well to expand into other large metropolitan cities, such as Albuquerque, Las Cruces, Roswell, etc.. Other very strong cities where the National Association for the Specialty Food Trade, Inc. is headquartered in New York along with the entire east cost region of the United States. Mexican salsa has just begun to make its mark in this region. Specialty food stores can be found all over in these areas. The larger the city in most cases the larger the standard of living thus yielding higher incomes. Being that Rio Grande Salsa Picante is from Santa Fe, NM, people of these eastern regions would be very excited to try an authentic Mexican salsa like Rio Grande.

Potential Competition

A primary competitor in the un-targeted segments would be J. Jose's. Jose's is the leader of Mexican salsa in the specialty foods market. They have surplus resources to venture and test other potential markets. Being that Rio Grande Foods is fighting as a guerrilla, it has to put all of its resources into one attack and only one. It does not have the resources to fight a flanking battle. The assets that Rio Grande Foods does have are creativity and enthusiasm. Another restaurant that might pose a threat in the future is Chili's. It is based in Santa Fe, NM and



is competing in the current segment of Rio Grande Foods. It is important that Rio Grande Foods eats up all of the available market share possible before Chili's does, because it can not afford another competitor.

Macro Environment

Impact of Economic Trends

Food processors and retail food store operators approach 1995 with some concern. While inflation is expected to remain under control, processors and retailers are concerned about the pace of domestic and international recovery and the expected growth of non-traditional retail outlets. Processors of brand name products will strive to stem the flow of less costly generic goods while retailers will attempt to offset the effects of new, non-traditional competition. Adjusted for inflation, the value of shipments of the food and beverage sector is forecasted to rise about 1 percent in 1995. Processors are also concerned about NAFTA, it has brought great export opportunities and will continue to bring opportunity in the future years. However, some processors fear backlash, which would have adverse effect on 1995 U.S. export sales. Processors are also concerned about the rate of recovery worldwide. For 1995, the value of processed foods and beverage exports is forecasted to rise about 5% to more than \$25 billion. Over the next five years, the processed food and beverage industries are likely to grow slowly; adjusted for inflation, the value of aggregate industry shipments is forecasted to grow 1% a year. The industry growth in the beginning of the year will not be large, but will improve as the U.S. and international economies improve.

Impact of Social/Cultural Trends

Aside from the presently targeted consumers for a specialty Mexican salsa like Rio Grande Salsa Picante, other ethnic markets are beginning to emerge in the 1990's. For example, the Hispanic population in the United States has increased by 38% since 1980. But not only is the population growing, so is their annual income. More and more Hispanics are seeking an education past high school, which has led to a 71% increase in their income. At the present time, Rio Grande Salsa Picante is appealing to the Hispanic market, in terms of flavor and authenticity. The only problem is that the portion of this population that can afford to purchase specialty items has remained very small. Now, in the 90's it is beginning to reach a point where the Hispanic purchasing power cannot continue going on without notice by small and large processors.

Impact of Political/Legal Trends

As specialty food and retailers know, many consumers are reading food labels. Interest in the nutrition label and claims such as "no cholesterol" are examples of this phenomenon. So, just around the corner is another marketing tool for specialty food processors. It is known as organic labeling. In 1995, the Department of Agriculture (USDA) is expected to finalize its rules on organic food production, processing and labeling. This federal program will go side-by-side with state organic certification programs, which may contain additional or more restrictive than the federal program. However, the state programs must be approved by USDA, the state labeling must be consistent with federal labeling. Labeling cannot say that the particular state's products are of superior quality, and the state may not discriminate against out of state foods that bear the USDA label. A food which contains at least 95% ingredients which meet the farm-to-table requirements may use an organic claim, such as, "100% organic". It may also bear the USDA shield to show that the product meets USDA standards for organic production, and also bear the logo of the certifying agent. This is something that Rio Grande Foods can concern itself with in the future, it is not something that is mandatory. Rio Grande Foods needs to allocate all of its capital resources to what it is trying to accomplish in the marketplace. This organic logo is just another point of purchase tool that Rio Grande Salsa Picante has already used. The latest law that has been already ratified since May 1993 is the Nutrition Labeling and Education Act. This law was developed and ratified by the Food and Drug Administration (FDA) as the consumer market demanded. This law simply requires food products for public consumption to reveal nutritional facts on the package itself. Rio Grande Foods has already



complied with this required law. The reason Rio Grande Foods did not have to comply with the law immediately is because there is a low volume item exemption. If a processor does not have volumes sales that generate \$60,000 or more on an annual basis or sell 600,000 individual units, it is not required to comply.

Impact of Related Technology

In the grade A grocery stores like J.E.B. Marketplace mentioned above, Efficient Consumer Response is beginning to be utilized by large grocery store suppliers. This service is being used by processors and distributors alike. This service is offered by the Uniform Code Council (U.C.C.), which is located in Dayton, Ohio. This is the same company that makes the service of Uniform Product Code symbols (U.P.C.) on most retail items these days. The Efficient Consumer Response service allows processors to be directly in touch with their customers, be it distributors or retailers. The information they receive is scan movement information, this means that each time a related product of the processor is sold at a particular retail location, they are made aware of it electronically. This scan/product movement allows processors to operate on the efficient Just In Time method. Present primary competitors are not using this service, however, it is a thing of the future. Pace Foods is already utilizing this service. The reason they are is because they move such high volumes of product and their processing material requirement planning depends on it. Rio Grande Foods is only utilizing the U.P.C. symbols for efficient retail handling of the products. It also allows the retailers to know if the product is moving good enough to make them a profit with the shelf space Rio Grande Salsa Picante is occupying.

Organizational Environment

Capabilities and Responsibilities

Rio Grande Foods is a very small company in the start up stages of a business venture. The product itself is in the growth stage at the present time. Rio Grande foods will continue to look for an additional customer base outside of Santa Fe, NM and will aim for larger and wealthier markets such as the ones mentioned above in the opportunities section. Rio Grande Foods has a lot of potential in terms of growth if it can successfully launch a product that is unique into the specialty foods market. Customers are already testifying that it is truly an authentic experience and they are asking for a list of other products the company has to offer. Rio Grande Foods is led by a young, creative and talented management team. The primary product has surprisingly gotten off the ground in a market which was said to be super saturated by the Wall Street Journal in 1993. The credit goes to the quality of the product and the management team which consisted of one individual and later expanded to two in the summer of 1994.

Organizational Support/Willingness

Rio Grande Foods is very committed to maintaining their mission statement of authenticity. The company will not put a product on the market just to have a diverse product mix. If the products that they try to develop do not abide by the mission statement they will be discontinued. Management works hard to maintain the authentic reputation from the stationery their presentations are presented on to the products themselves. Management knows that without profits the company will no longer exist, but profit is not the only reason for the company's existence. Management puts employee and customer satisfaction above everything else. They feel that if the consumer is happy so are the employees, because they are directly related. If the consumer is happy, profits will take care of themselves.



THREATS AND OPPORTUNITIES

Threat Statements

- Consumer preference of non-traditional salsa, such as the fruit salsa discussed above over authentic salsa picante like Rio Grande brand
- Target market becomes more interested in Tabasco style hot sauces
- Constant entry of new competitors with more capital may win any potential market share
- Food processing plant may be brought out by a large successful processor who is ready to handle its own production
- The economy stumbles and the Hispanic population is unable to flourish the way it has been into the specialty foods market
- Communicating wrong message to consumers about the product/company
- Company is unable to keep up with changing factors in the targeted segments
- Sales are not good enough to sustain growth

Opportunity Statements

- Consumers of other types of salsa and sauces prefer a more authentic experience
- Growth in consumer awareness is directly related to word of mouth advertising
- The growth segment of the products life cycle will show consumers that Rio Grande Salsa
- Picante is preferred over the others
- Changes in market segmentation will be a new path for new markets (restaurants)
- Current targeted consumers become brand loyal to Rio Grande Salsa Picante
- Increased product diversity can make the company more noticeable for its brand name and quality
- A more diversified product mix can open the doors to new consumer segments and markets
- Rio Grande Foods product will set a new standard for specialty Mexican salsa
- Rio Grande Foods' can prosper while large competitors rival amongst themselves
- Ability to stay ahead of the competition by complying with new packaging and product laws even though it is not required to do so

STRENGTHS AND WEAKNESSES

Strength Statements

- Young motivated, creative, and educated management
- High quality product
- Lower wholesale cost due to cost savings on packaging: three color label
- High volume jar and lid make for lower costs, and low miscellaneous expenses
- Financed only through family equity
- Good relationship with co-packer (C&D Mexican Foods)
- Competitive packaging
- Located near larger consumer markets, such as Albuquerque, Las Cruces, and Santa Fe
- Appropriate packaging for the specialty food market
- Experienced independent sales representative
- Nutritional facts table
- Development of new recipes



- Member of the National association for the Specialty Food Trade, Inc. (NASFT)
- Aware of primary competitor (J. Jose)

Weakness Statements

- Limited time to allocate 100% effort by management
- One product-product mix
- Small distribution established
- Low inventory turnover rate
- Limited consumer awareness
- Small budget for print media (direct marketing)

KEY ASSUMPTIONS

Assumptions for Threat and Opportunity Statements

- Consumers will continue to purchase traditional authentic salsa picante
- Tabasco style hot sauces already have their own share of the "hot sauce market" as a whole, but there is plenty of room for both styles of salsa
- Rio Grande Foods will have to continue with Guerrilla warfare tactics in order to stay ahead of the big player's advertising campaigns
- Food processing plant co-packer is committed to several large private label companies that will not allow it to sell out
- Rio Grande Foods will not lose its focus and communicate the wrong message to its consumers
- Sales will pick up in the future when the product line becomes more diversified with product categories that are not nearly as competitive as the Mexican salsa product category

STRATEGIC PLAN

Marketing Objectives

Objectives of Marketing Plan

The company's objectives are to earn a position in the marketplace as a manufacturer of high quality Mexican food products in the specialty foods industry. Committed to supplying grade "A" grocery stores, specialty food stores, and gift shops, on a wholesale basis only, throughout Texas by 1998. At the same time the company wants to diversify its product mix steadily with products of the same quality standards as Rio Grande Salsa Picante. Sales for 1 year from 1994 up to the present have increased by 300%. The reason for the big surge is because it wasn't until the beginning of 1994 that the company started to push its products. Revenues were \$2,200 in 1993, they have grown to \$6,600 by the end of the third quarter in 1994. However, the company needs to reach revenues of \$7,500 before it can break even. The company is sure to do this by the third quarter of 1995 if it can meet its goal of a 9% increase in sales per year up to 1998, once account growth stabilizes by the end of the second quarter in 1995. By the third quarter in 1995 with all goals met, market share should be .0316% up from .03% at the end of the third quarter in 1994. The company is planning on accomplishing its goals by doing what is written in the mission/objective statement, which is to position the company and the product in the client and consumers mind as a processor of high quality products and nothing less. Packaging will assist in the positioning of the product by revealing nutritional facts and by reinforcing the idea of authenticity.



Marketing Strategies

Product Positioning

The national marketplace for the condiment segment of the specialty foods industry is worth \$ 13 billion. Rio Grande Foods has just begun its hike in terms of growth. It has only tapped into the Santa Fe, NM market at the present time. The beginning of 1994 marked the beginning of the company's initial effort to establish its customer base, at which time it saw an increase of 200% by the second quarter and 300% by the end of the third. When growth begins to stabilize the company expects growth of 9% per annum. The company will continue to target the high income educated individuals originally discussed in the "Market Segment Currently Targeted" section of this plan. Any promotional efforts will be prepared and implemented with that type of individual in mind. Rio Grande Foods will also have to remember the flourishing Hispanic market in the near future who will be very capable of purchasing specialty foods. In order to achieve the company's print media marketing objectives, sales will have to be in the \$7,500 plus (+) category overall. The company will have to keep enlarging its customer base and must also maintain a 9% annual growth rate once growth has been stabilized. Other important factors to consider are consumer taste/preferences and trends.

Perceptual Positioning

The target market that the company will need to satisfy is one that is looking for specialty food items. Products are considered specialty food items because of their unusually high product quality due to ingredients and not for unusual packaging. The consumer in the specialty food industry is just as concerned about value as the consumer in the highly commercialized industry. The specialty foods consumer is not simply interested in spending his/her money on more expensive food products to make a fashion status statement. This is why Rio Grande Salsa Picante can be found a few cents cheaper, to a few dollars cheaper in some cases, in the market place. The company wants to be perceived as a "quality leader" in the specialty foods industry.

Product/Service

Current Product Fit per Segment - The current products of Rio Grande Foods satisfies the very active, health conscious consumers in the specialty food industry, because of the better quality products that can be found in terms of ingredients. This consumer pays more for a specialty food item only because the quality of the ingredients justify the higher price. The nutritional factors are also very important to them and that is why Rio Grande Foods has nutritional facts on its packaging. *Required Product Additions/Modifications* - In order for the company to stay in operation it will have to increase its distribution to cities outside of Santa Fe, NM to increase the inventory turn over rate. It will also need to increase its product mix to a more diverse mix so that it can please a lot more consumers and to increase point of purchase visibility/awareness.

Additional Product Strategies - Utilize all of the company's strengths to make itself a strong preference to consumers and position itself as a "quality leader." To assist in accomplishing its goals the company will utilize a push strategy to get retailers to carry their product. Credit terms of 2/10 Net 30 are offered and occasional volume discounts will be offered.

Distribution

Due to the nature of the product (Mexican salsa) and the specialty food industry itself, volume per store delivery is low. To elaborate, a delivery destination outside a 5 mile radius of the company is not cost effective if done by a company truck. Therefore, the company utilizes a parcel delivery company to distribute its products. United Parcel Services (UPS) is the company utilized for all deliveries to specialty food stores and gift shops. When orders need to be filled and product distributed, a phone call is all it takes to get a delivery truck over to the company to pick up the product. A \$5.00 pick-up fee is charged per visit and the cost per package varies from \$4.85 on up depending on the destination. Distribution to the higher volume grade "A"



grocery stores are handled by the company itself. Not only is it cost effective, but it also helps increase product freshness and all merchandising activities as well. Quality and dependability is important in large stores, such as J.E.B Market Place, because without it the company risks losing customers and eventually losing the account. The reason UPS delivery is accepted in the other two segments is because those stores are not as competitive and busy as grade "A" grocery stores. They have someone to unpack and stock low volume items every day.

Additional/Modified Distribution per Segment - The only thing that can be improved is the number of accounts being serviced at the present time. The reason for this is not only to improve sales and profits, however, it is a factor that will assist in the process. If distribution could be increased to the point where there was a shipment every day, an account could be set up with UPS. This would eliminate the \$5.00 pick up fee they have on sporadic pick up calls.

Distribution for Efficiency/Effectiveness - A larger customer base and a higher consumer awareness over other products will be needed to gain sales, market share, and to reduce marginal costs. Increased sales will increase inventory turnover rates, which means higher volume manufacturing will bring fixed manufacturing costs down. This will make the net profit margin larger if all expenses remain fixed. This will allow the company to allocate more funds to promotional efforts and product development.

Price

Pricing Fit per Segment - The company is trying to position itself as a processor of highly valuable products in the specialty foods industry. It wants to be a "quality leader" and at the same time a "price leader". On the following page a breakdown of the company's specialty foods pricing practices can be seen on Table 1 in the appendices. The price will adjust through the years up to 1998 to compensate for an average inflation rate of 4%, this can also be seen at the bottom of Table 1. Table 1.5, is a pricing schedule that has been developed to show the average competitor's pricing practices for comparison. After comparing the two tables, the differences can be seen in the wholesale cost per unit and the cost of goods sold. Most competitors are using not so fresh ingredients while maintaining a higher wholesale cost. Rio Grande Foods is trying to do the opposite within a relevant range so that the company is making a suitable profit that is consistent with corporate objectives.

Required Pricing Modifications per Segment - The company needs to reduce the cost of goods sold through increased volumes and not through cheaper ingredients. Also, more funds need to be allocated to point of purchase advertisements, such as recipe books. Recipe books will present new ways to use Rio Grande Salsa Picante, which will increase the rate of consumption - increasing turn over.

Promotion

Refined Messages - The niche of Rio Grande Foods is accented by its products' packaging that represents authenticity from the name to the graphic trade mark and label scheme complete with nutritional facts. There is also plenty of clear glass that allows for easy view of the sauces authentic texture and appearance. It "tells" the consumer that there is no need to eat out or to make they're own salsa, that home style texture and flavor can now be found in a jar at a valuable price that is not only good for my pocket book, but also for my health.

Optimal Promotional Mix - Targeting the consumer at his/her favorite events and bringing that appeal to them in the form of pure eating satisfaction at a price that will not be taking advantage of them. Formulating a memorable slogan that will remind the consumer of authenticity, value, quality, and satisfaction.



TACTICAL PLAN

Product

Tactical Product Objectives

Rio Grande Foods will continue to grow with the original product, because it has proven to be satisfactory since the beginning. The packaging and the ingredients help the company as it tries to reach its positioning objectives. Being that Rio Grande Foods is fighting guerrilla warfare tactics, it cannot not afford to launch another product because all of its resources are pushing the Mexican salsa in 1995.

Marketing Channels

Tactical Objectives for Channel Distribution

In 1995, Rio Grande Foods will continue to satisfy its current accounts while continuing to increase its consumer base/distribution. The company will keep servicing its present accounts the same reliable way it has been from the beginning. It will try to increase consumer awareness at the present stores by increasing shelf space. Some success has been seen at the J.E.B. grade "A" grocery stores where shelf space went from four-facings/two cases to eight-facings/four cases. The company will have to continue pushing the product through the marketing channels on a wholesale basis to the targeted segments. There is a great need to prove to the retail customers that the product does move and that it could do even better with increased exposure on the shelf.

Physical Distribution

Tactical Objectives for Physical Distribution

For 1995, the company will continue to service the grade "A" grocery stores through direct store delivery (DSD) methods. The specialty food stores and gift shops will continue to be supplied via UPS. The objective is to have a broad enough distribution to establish an account with UPS so that the \$5.00 pick up fee can be eliminated, thus making distribution more cost effective. The company will have to continue pushing the product as explained above so that it can reach a level where an account with UPS can be established. If the company can establish approximately 35 separate accounts this goal can be met. The accounts will have to be staggered carefully for delivery according to demand so that a daily pick up will be possible.

Price

Tactical Pricing Objectives

For 1995, the price on a wholesale basis will remain the same as it was in 1994 (\$2.25/unit - \$27.00/case). However, there will be price increases in the future years as seen in the situational analysis on table 2. The only thing the company hopes to do is increase volume so that the cost of goods sold can go down allowing more funds to be allocated to the promotional margin. These funds can be used to meet the marketing objectives.



Advertising

Tactical Objectives for Advertising

In 1995, advertising will equal \$300.00 due to the low amount of money available. These funds will be used to make consumers notice Rio Grande brand salsa picante in the market place. Funds will be spent on print media only. The company must continue with steady growth of sales so that the margin allocated to advertising can generate the required funds to meet objectives.

Personal Selling

Tactical Objectives for Sales Promotions

The company will continue approaching new customers on the retail level in hopes of meeting growth objectives so that all other factors discussed will fall into place. The company will do this by setting up appointments for presentations to grocery buyers. It is important to only target those consumers listed in its target segments - grade "A" grocery stores, specialty food stores, and gift shops. The company will also continue to sell itself and its product to its present customers in hopes of increasing shelf-facings and shelf-space in the same manner. The company will have to begin compiling a list of potential customers that can be screened for accuracy. Once the list has been narrowed down, the company can begin setting appointments on an efficient schedule so that it is not in conflict with other company operations.

Sales Promotions

Tactical Objectives for Sales Promotions

The company will use allocated promotional funds to conduct samplings and to produce point of purchase advertisements, such as recipes. Samplings can be held on the weekends inside some of the busier stores, between 9:00 a.m. to 11:00 a.m. in the mornings and 4:00 p.m. to 9:00 p.m. in the evenings. At the same time the company can distribute recipes that require Rio Grande Salsa Picante as one of the ingredients. These new food ideas will help stimulate a more frequent use of the product thus increasing consumer consumption while causing the same effect all the way up to higher volume production runs. These recipes can also be used as a point of purchase marketing tool. They have proven more successful at the privately owned specialty food stores and gift shops, because the employees have more time to discuss the products and ideas to customers. This helps to answer any questions and make the customer aware of the recipes. This promotion proved to be successful at Toddie's in downtown Santa Fe, NM, where the recipes were placed on hooks directly below the product for better visibility to the consumer. The company will also offer occasional business to business promotional allowances to retailers in terms of lower wholesale costs. In order for these sales promotions to be feasible, the company will have to maintain sales growth as mentioned above.

CONTROL

Operational Budgets

On table 2, the cost of goods sold will be dropping steadily if growth of 9% per annum can be sustained after account growth has stabilized at the end of the second quarter in 1995 with revenues of \$7,500. From that point onto 1998, the 4% inflation rate is taken into consideration along with the 9% annual growth rate, the result is what is seen on Table 2 in the appendices. The expenses margin will remain at 30% because as other expenses are reduced, the advertising margin will grow accordingly. These extra funds will help the company become more recognized through the use of print media as it tries to establish itself in the specialty foods industry as a



"price" and "quality leader".

FINANCIAL INFORMATION

Rio Grande Foods Fiscal Year 1994-95

Inventory Order (160 cases @ \$1,971.20)	\$12.32
Cost per case (12/16 oz.)	\$12.32
Cost per unit	\$1.03
Cost per label	\$0.08
Total Unit Cost	\$1.11
Gross Margin	50.81%
Revenue	\$2.25
Cost	\$1.11
Revenue Per Case	\$27.00

Inventory Order (160 cases @ \$1,971.20)	\$12.32
Cost per case (12/16 oz.)	\$12.32
Cost per unit	\$1.03
Cost per label	\$0.08
Total Unit Cost	\$1.11
Gross Margin	50.81%
Revenue	\$2.25
Cost	\$1.11
Revenue Per Case	\$27.00

	Suggested Retail Price	Rev. Per Case
25%	\$3.00	
27%	\$3.08	\$36.99
30%	\$3.21	\$38.57
33%	\$3.36	\$40.30
35%	\$3.46	\$41.54
50%	\$4.50	\$54.00
Revenue	\$2.25	100%
Cost of Goods Sold	\$1.11	0.49%
Gross Revenue	\$1.14	0.51%
Expenses		
Broker	\$0.23	10%
Distributor	\$0.00	0%
Other	\$0.45	20%
Total Expenses	\$0.68	0.3%
Net Profit	\$0.47	0.21%
Net Profit per Inventory purchase	\$899.20	
Return	\$2,870.40	
Turnover	\$1,072.00	

	Suggested Retail Price	Rev. Per Case
25%	\$3.00	
27%	\$3.08	\$36.99
30%	\$3.21	\$38.57
33%	\$3.36	\$40.30
35%	\$3.46	\$41.54
50%	\$4.50	\$54.00
Revenue	\$2.25	100%
Cost of Goods Sold	\$1.11	0.49%
Gross Revenue	\$1.14	0.51%
Expenses		
Broker	\$0.23	10%
Distributor	\$0.00	0%



	Suggested Retail Price	Rev. Per Case
Other	\$0.45	20%
Total Expenses	\$0.68	0.3%
Net Profit	\$0.47	0.21%
Net Profit per Inventory purchase	\$899.20	
Return	\$2,870.40	
Turnover	\$1,072.00	

Prices adjustments to compensate for inflation through 1998: Year Adjusted Price

Average inflation 4%	1996	\$2.34
1994-95 wholesale price \$2.25	1997	\$2.43
	1998	\$2.53

Prices adjustments to compensate for inflation through 1998: Year Adjusted Price

Average inflation 4%	1996	\$2.34
1994-95 wholesale price \$2.25	1997	\$2.43
	1998	\$2.53

Average Competitor's Price Fiscal Year 1994-95

Inventory Order (160 cases @ \$1,840.00)	\$11.50
Cost per case (12/16 oz.)	\$11.50
Cost per unit	\$0.96
Cost per label	\$0.08
Total Unit Cost	\$1.04
Gross Margin	58.47%
Revenue	\$2.50
Cost	\$1.11
Revenue Per Case	\$30.00

Inventory Order (160 cases @ \$1,840.00)	\$11.50
Cost per case (12/16 oz.)	\$11.50
Cost per unit	\$0.96
Cost per label	\$0.08
Total Unit Cost	\$1.04
Gross Margin	58.47%
Revenue	\$2.50
Cost	\$1.11
Revenue Per Case	\$30.00

	Suggested Retail Price	Rev. Per Case
25%	\$3.33	\$40.00
27%	\$3.42	\$41.10
30%	\$3.57	\$42.86
33%	\$3.73	\$44.78
35%	\$3.85	\$46.15
50%	\$5.00	\$60.00
Revenue	\$2.50	100%
Cost of Goods Sold	\$1.04	0.42%
Gross Revenue	\$1.46	0.58%
Expenses		
Broker	\$0.25	10%
Distributor	\$0.00	0%
Other	\$0.50	20%
Total Expenses	\$0.75	0.3%
Net Profit	\$0.71	0.28%
Net Profit per Inventory purchase	\$1,366.40	
Return	\$3,206.40	
Turnover	\$473.60	

	Suggested Retail Price	Rev. Per Case
25%	\$3.33	\$40.00
27%	\$3.42	\$41.10



	Suggested Retail Price	Rev. Per Case
30%	\$3.57	\$42.86
33%	\$3.73	\$44.78
35%	\$3.85	\$46.15
50%	\$5.00	\$60.00
Revenue	\$2.50	100%
Cost of Goods Sold	\$1.04	0.42%
Gross Revenue	\$1.46	0.58%
Expenses		
Broker	\$0.25	10%
Distributor	\$0.00	0%
Other	\$0.50	20%
Total Expenses	\$0.75	0.3%
Net Profit	\$0.71	0.28%
Net Profit per Inventory purchase	\$1,366.40	
Return	\$3,206.40	
Turnover	\$473.60	

Price adjustments to compensate for inflation through 1998: Year Adjusted Price

Average inflation 4%	1996	\$2.34
1994-95 wholesale price \$2.25	1997	\$2.43
	1998	\$2.53

Price adjustments to compensate for inflation through 1998: Year Adjusted Price

Average inflation 4%	1996	\$2.34
1994-95 wholesale price \$2.25	1997	\$2.43
	1998	\$2.53

Operational Budgets 1995-1998

	1995		1996		1997		1998	
		%		%		%		%
Revenue	8,100	100	9,098	100	10,219	100	11,478	100
Costs of Goods Sold	3,969	49	4,095	45	4,394	43	4,591	40
Gross Profit	4,131	51	5,004	55	5,825	57	6,887	60
Less Expenses	2,430	30	2,729	30	3,066	30	3,443	30
Net Profit	1,701	21	2,274	25	2,759	27	3,443	30

	1995		1996		1997		1998	
		%		%		%		%
Revenue	8,100	100	9,098	100	10,219	100	11,478	100
Costs of Goods Sold	3,969	49	4,095	45	4,394	43	4,591	40
Gross Profit	4,131	51	5,004	55	5,825	57	6,887	60
Less Expenses	2,430	30	2,729	30	3,066	30	3,443	30
Net Profit	1,701	21	2,274	25	2,759	27	3,443	30