1989 NAMA MARKETING PLAN

FOR

TWIST

EVERFRESH
DAIRY INC.

RECOMMENDED BY:

THE OHIO STATE UNIVERSITY/NAMA

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TORONTO, CANADA
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Everfresh Dairy, Inc., established in 1960 and headquartered in Columbus, Ohio, is a regional leader in the marketing and manufacturing of high quality dairy products. The highest percentage of our company's products are produced and packaged in Columbus, with the majority of sales in the midwest. Key individuals from our marketing department have developed a plan to increase revenue. The various aspects of the marketing plan for this new product line are outlined below.

Mission Statement

Everfresh Dairy, Inc., is an innovative company, combining state-of-the-art technology with efficient business operations. Foremost to Everfresh is the consumer, who is valued and deserving of superior products and services. To this end, the company's mission is: to capitalize on opportunities related to the dairy industry, to strengthen our financial position, to provide a desirable workplace for employees, and to project a positive image in the community.

Problem Statement

Currently, market penetration of Everfresh products have plateaued for all but one of the lines. Whole milk (3.25%) sales have decreased 3.8% annually over the past three years. Industry trends support the notion that whole milk is in the declining stage of the product life cycle. Consumer tastes and preferences have changed in recent years. Thus, a market exists for a technologically synergistic value-added product that will increase growth, revenue, and profit of the company.

Situational Analysis

Americans enjoy carbonated beverages, as proven by the annual 6.8% growth over the last 12 years. This fact, combined with Everfresh's market research shows a distinct opportunity for a modified milk product. As a result, the product development division of Everfresh has developed TWIST, a new carbonated dairy beverage with a high value added potential. It is a potential market niche that is a natural evolution for our company.

Objectives

Business:
(1) To be the first in the market area with a carbonated milk beverage.
(2) To obtain a minimum of .5% and .75% of the Ohio milk and soft drink market by the second and third year respectively.
(3) To achieve a minimum return on investment (ROI) of 5% in the second and third years.
(4) To contribute a minimum of 15% to overall company sales in the second and third years and a minimum of 13% to overall company net profits in the second and third years.
Communication:
(1) To create added awareness of the product by 50% percent over three years.
(2) To position the product in the minds of consumers as a convenient, fun, yet great tasting nutritious drink.
(3) To emphasize the Everfresh parentage.

PRODUCT CHARACTERISTICS

TWIST is a modified milk product made from low-fat milk and flavored with root beer, peach, or strawberry. Our flavored milk is then carbonated through the same process used in the soda industry. This product has a refreshing quality with a taste similar to an ice cream soda. The name TWIST conveys fun and excitement by adding "a new twist to an old idea." The product's trademark will be the dancing "I" from the word "TWIST". With this trademark, TWIST will stand out in the minds of consumers.

It will be marketed in four packs of glass 12 ounce bottles. The labels and carrying cartons will display an eye catching mix of bright green and festive red colors, established symbols of Everfresh Dairy. For the first six months, the product package will also include a star with the word "NEW" in red to catch the attention of shoppers.

Additional equipment needs are minimal for producing this new product line. These include two 500 gallon mixing tanks, a filling-capping machine, a carbonation unit, and a casing machine. Other needs can be met through excess plant capacity.

PRICE

TWIST’s wholesale price will be $1.89 for a four pack carton of 12 oz. bottles. Allowing retailers a 35% mark-up, the price to consumers will be $2.55 per carton.

POSITIONING STATEMENT

Test market results indicate that TWIST would fill a void in the beverage market. Increased public awareness of nutrition has dampened the popularity of soft drinks. However, the public continues to consume them due to limited choice. This value-added product is nutritionally superior to soft drinks, while having similar attributes: it is refreshing, tasty, nutritious, low in calories, and convenient. This product will provide a new "Twist" in the beverage market!

MARKET POTENTIAL

Target Market

Six month test market results indicate that TWIST is a fun and exciting beverage well accepted by young people. As a result, the target market for TWIST is consumers ages 10-24, which includes milk and non-milk drinkers. Soft drinks appeal to this age group, with a high percentage of innovators and
early adopters willing to try new products. Individuals beyond this age group represent a secondary target market.

Based on the company location as well as a successful test market, TWIST will be introduced in the Ohio market (Columbus, Cincinnati, and Cleveland). These three cities comprise 1.5 million individuals of the primary target market as well as 2.7 million in the secondary market. In the second year the market will be expanded to include all of Ohio. In the third year, the market area will be expanded further to include Indianapolis, which consists of 172,626 individuals ages 10-24 and a total population of 700,807.

COMPETITIVE ANALYSIS

Strengths - The following points have been identified as strengths:
(1) The first marketer of a carbonated beverage made with flavored milk.
(2) Company knowledge and experience in distribution and marketing of dairy products.
(3) Consumer loyalty due to the popularity and brand recognition association with the parent company.

Risk - The following points have been identified as risks in introducing the product:
(1) Competitors could introduce a carbonated milk beverage of this type.
(2) A minimal rate of product cannibalism between Everfresh's current dairy products.
(3) The acceptance of a carbonated milk beverage by consumers as a convenient and great tasting product.

PROMOTIONAL STRATEGY

Print Advertising

For each of the first six months of year one, a quarter page advertisement including a $.25 coupon will be placed in the human interest sections of the Columbus Dispatch, Cincinnati Enquirer, and the Cleveland Plain Dealer. In the first six months of the second year, Everfresh will add the Toledo, Dayton, Akron, and Athens newspapers to this program. In the third year, Indianapolis will have the same coupon program implemented while the Ohio cities will be dropped from the coupon program.

TWIST will also utilize magazines as a force in creating consumer awareness. A full-page, 4-color, advertisement, including a $.25 coupon, will be placed in the Midwest issues of Teen, Seventeen, Good Housekeeping, and Sports Illustrated. These advertisements will be published in the April through August issues, during the first year. In the later years, a coupon will be published once per quarter in these magazines.

Broadcast

During all three years, Everfresh will create awareness of TWIST through television advertising. For the younger sector of our target market, a 30 second advertisement will air during "after school shows" locally and once
every other Saturday between the hours of 9:00 am and 11:00 am. In order to introduce TWIST to the older sector of the market, advertisements for the product will air during the network morning news shows.

Everfresh Inc. will also broadcast a 60-second advertisement over the four radio stations with the highest audience listenership in the following four categories: top-40, adult easy listening, contemporary, and classic rock. The 60 second spot will air once every weekday for the first six months between the hours of 5:00 p.m. and 7:00 p.m. With legal consent, the spot aired will be accompanied by the familiar Chubby Checker song "Twist" to emphasize the great new taste of TWIST.

Retailer Level

A promotional allowance of $1 for every five cases sold will be offered to the retailer in exchange for advertising TWIST in their weekly newspaper circular insert.

To enhance the consumer adoption process, in-store samples will be used to facilitate further consumer awareness and initial use of the product.

FINANCIAL EVALUATION

The following projected income statement outlines forecasted revenues and expenses for the first three years of TWIST. Although net income is conservatively estimated at -$204,154 in 1990, it increases to $587,892 and $1,353,640 in 1991 and 1992, respectively. The reason for this loss in the first year is due to the proportion of promotional expenses allocated to initiate TWIST. Furthermore, high returns are anticipated in 1991 and 1992 because of the uniqueness of this value added product. Finally there is no additional risk added to the company, except for an initial low capital investment of $700,000 for equipment and $522,000 for promotion.
Projected Income Statement

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<th>1990</th>
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<th>1992</th>
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<tbody>
<tr>
<td>Sales</td>
<td>$4,350,129</td>
<td>$10,044,987</td>
<td>$14,168,820</td>
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<td>Discounts/Returns</td>
<td>(87,002)</td>
<td>(200,900)</td>
<td>(283,376)</td>
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<td>Net Sales</td>
<td>4,263,123</td>
<td>9,844,087</td>
<td>13,885,444</td>
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<td>Cost of Goods Sold</td>
<td>2,761,985</td>
<td>6,271,473</td>
<td>8,759,471</td>
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<tr>
<td>Gross Profit</td>
<td>1,501,138</td>
<td>3,572,614</td>
<td>5,125,970</td>
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<td>Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Promotion</td>
<td>1,295,292</td>
<td>1,611,869</td>
<td>1,705,000</td>
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<td>Depreciation</td>
<td>70,000</td>
<td>70,000</td>
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<tr>
<td>Development Costs</td>
<td>300,000</td>
<td>300,000</td>
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<tr>
<td>Other</td>
<td>40,000</td>
<td>700,000</td>
<td>1,000,000</td>
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<tr>
<td>Net Profit (loss)</td>
<td>(204,154)</td>
<td>890,745</td>
<td>2,050,970</td>
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<tr>
<td>Taxes</td>
<td>0</td>
<td>(302,853)</td>
<td>(697,330)</td>
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<tr>
<td>Net Income</td>
<td>(204,154)</td>
<td>587,892</td>
<td>1,353,640</td>
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<td>Return on Investment</td>
<td>(26%)</td>
<td>44%</td>
<td>91%</td>
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<tr>
<th></th>
<th>1990</th>
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<tr>
<td>Unit Revenue</td>
<td>1.89</td>
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<tr>
<td>Unit Cost</td>
<td>1.20</td>
<td>1.16</td>
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<td>Sales Forecast (units)</td>
<td>2,301,654</td>
<td>5,314,808</td>
<td>7,486,730</td>
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MARKETING PLAN PERFORMANCE EVALUATION

A continual monitoring process will be implemented for the TWIST product line to assure its success in the Everfresh family. The marketing department of Everfresh will measure closely the results of TWIST's performance in the areas of sales, communications, market penetration and financial returns.

Measurement of TWIST sales will include weekly meetings with sales representatives in the respective market areas as well as communications with retailers. The attainment of communication objectives will be monitored through pre-test and post-test surveys to measure the effectiveness in each medium. These surveys will be conducted by the Simons Marketing Research Bureau. The return rate of issued coupons will also be evaluated. Furthermore, consumer acceptance will be monitored through the use of periodic focus groups. Finally, financial results will be measured through ratios, emphasizing return on investment and sales as well as continual break-even analysis. Competitors reactions to the introduction of this product will be constantly monitored.

TWIST CONTINGENCY PLAN

In the unlikely event that TWIST does not meet all proposed objectives, contingency plans have been formulated. Advertising messages as well as the target market would be assessed with greater intensity and possibly reformulated. TWIST would be pulled from markets with less than marginal success and campaigns would be targeted at those markets demonstrating the highest growth potential. In addition, new flavors would be proposed. Finally, cooperative advertising with retailers would be promoted to an even greater degree.