

Sample market analysis

[Finance](#), [Market](#)



Sample Market Analysis Market Analysis Customers Family Farmers Choice has developed a database of present customer who buy on a regular basis and customers who have bought only occasionally as the opportunity presents itself, such as at farmers markets. Customer demographics show the current customers are in an income range of \$45, 000 or more, two income families, professional occupations, concerned about the environment and located primarily in urban areas. Research also shows these customers are Internet users and willing to order product from our business via the Internet.

Research conducted by Farmers Choice has verified that there is a market segment large enough to justify the investment in the processing facility. Further, the premium these consumers are willing to pay will allow the shipment of products to nearly all geographic locations in the country. Focus groups, market surveys and product demonstrations at several locations were used to develop demographic profiles of each promising location so that zip codes could be used to easily identify future markets when expansion is deemed appropriate. (Note: Results of the surveys can be provided if additional information is desired. A significant number of consumers are concerned about where their meat products are coming from and how these products are processed. The company will market directly to that group. Since they are highly informed consumers, however, a major task will be to establish credibility. In the farmers markets targeted for sales there are an estimated 100, 000 potential customers (based on census estimates). At present, Farmers Choice has reached only a fraction of that customer base. Based on data in the U. S. Census Bureau databases, estimated

customer potential is as follows: Big Town Farmers Market | 55, 000 | | Lotus | 10, 000 | | Keeper | 10, 000 | | Sagmore | 15, 000 | | Cool Springs | 5, 000 |

Market Size and Trends 99718. 2 billion pounds of pork produced 199819. 0 billion pounds of pork produced 199919. 4 billion pounds of pork produced

Source: Steve Meier, National Pork Producers Council. 1999 figures based on USDA estimate. Average prices received by the producer have decreased in recent years: 1997\$52. 90 per hundred weight 1998\$34. 40 per hundred weight U. S. per capita consumption of pork is declining: 198057. 3 pounds per person 199649. 1 pounds per person In spite of declining per capita consumption of pork, consumers still spend more money on pork per year than on poultry and fish.

Average annual expenditures for pork in 1998 were \$146 per person per year, second only to beef at \$218. The expenditures for all meat (beef, pork, poultry and fish) decreased slightly from the 1997 annual expenditures. (Source: Consumer Expenditures Survey, 1984-98, U. S. Department of Labor, Bureau of Labor Statistics) According to USDA data, higher expenditures for pork versus poultry may have been due to retail prices. For example, in June 1998, the average retail price for pork was \$2. 29 per pound, compared to chicken at \$1. 55 per pound.

Consumer Perceptions of Pork According to a survey conducted by the National Pork Producers Council, more than three out of four family cooks believe pork is a healthful choice. The same study indicated families prefer pork because it tastes good. Survey respondents also cited pork's versatility, nutrition and value as key reasons for its popularity. Ranking of the favorite cuts: 1. Chops 2. Tenderloins 3. Roasts 4. Ribs Pork producers work hard to

deliver the product that the consumer wants. Consumers wanted leaner pork and they got it!

Compared to 1983, pork of 2000 has about 31 percent less fat content.

General Trends in Meat Consumption There are a number of new and emerging trends in meat marketing which are relevant to the interest of this feasibility study. In general there are three consumer preferences today which are driving major changes in the meat industry.

- Consumers are demanding meats that require little preparation time. Population and labor trends are driving this preference. An unprecedented number of women are in the workforce today.

There is an increasing number of single adult households in the U. S. ; of those, the number of single parent, female-headed households is increasing, resulting in more than ever limited time for meal preparation within U. S. households. A Yankelovich poll (reported by the American Meat Institute) claims that half of all Americans spend less than 45 minutes cooking an evening meal compared to the two-hour meal preparation typical in American households 30 years ago. People have a limited amount of time and don't want to spend it cooking.

Add to this the fact that at 4 p. m. , 60 percent of Americans do not know what they will eat for dinner. The implications are that the meat marketing industry has a whole new challenge for capturing palates and dollars.

- Consumers have little knowledge of and skills for cooking. Studies report that many consumers feel that their knowledge of cooking and skills for meal preparation are more limited than those of their parents and grandparents.

Furthermore, the American Meat Institute reports that many American consumers find meat preparation to be challenging.

Implications for meat marketing are that meats are becoming increasingly available as meal-ready or with minimal preparation. • Consumers are concerned about health and nutrition when buying meat. The Food Marketing Institute claims that nearly 80 percent of Americans want to eat food they perceive to be extremely healthy and that 42 percent are willing to pay more for low-fat versions of commonly consumed products. In the lunch meat and hot dog markets, a record 50 percent of the products offered are items with reduced or low fat. Consumers are demanding changes from the meat industry and the industry is responding. Numerous options and innovations can be observed at all levels in production, processing and packaging. The retail point of sale is taking on a new look. Emerging Trends in Meat Marketing Case-Ready Meat: These are value added fresh meat products that the supermarket purchases in pre-cut packages. Due to new packaging technologies, pre-cut, tray-ready packages tend to offer a longer shelf life than conventional products.

Often hermetically sealed, they offer customers trimmed, individually wrapped, consistent portions. Case-ready meats eliminate extra steps in handling for retailers and consumers alike. Consumer-Ready Products: These products go a step beyond the case-ready meat products by including preparation tips, cooking instructions, spices, or seasoning packets. Portions are indicated on the package. Consumer-ready products include items such as marinated meats, stuffed chops, kabobs and seasoned steaks and roast

which are ready to take home and pop into the oven, microwave or place on the grill.

Home Meal Replacement: These are fully prepared products which free the consumer from all responsibility of meal preparation. They often come packed and portioned as entrees with options to purchase complementary side dishes or extras. Also known as TOTE (Take Out To Eat), these dinners in a bag are the way in which supermarkets and grocery stores are competing with restaurants to gain business from Americans who choose not to prepare their own meals. The market analysis shows a broad range of prospective clients.

The green labeled, eco-labeled, naturally labeled, food industry is in a boom period. While there are a growing number of items from a growing number of vendors becoming available, Family Farmers Choice is approaching the market as a multi-choice provider of products with a face. The owner/members of Family Farmers Choice have spent 10 years carefully laying the groundwork and learning the methods for success. The value-added cooperative is now poised to make the most of established connections with consumers and other marketers of natural items handcrafted on family farms.

Family Farmers Choice is set to offer food, fiber and manufactured products that nourish, provide comfort or address a desired taste or want. The members of Family Farmers Choice have proven an ability to adjust their product lines while also displaying a tenacious desire to provide whatever level of sweat equity is required to preserve their independent ways of life as family farmers. The owners/members have also provided 50 percent of the

equity requirements per early feasibility estimates. The food-with-a-face concept of marketing is still relatively new and enjoys some sense of novelty in the marketplace.

The genuine authenticity that can be verified by Family Farmers Choice is not yet common in the commercial consumer marketplace, which gives the Family Farmers group a leg up on the competition. The industry of specialized foods and handmade, one-of-a-kind products is on a steady upward growth curve; and Family Farmers Choice is poised to capitalize on the consumer's desire for these items. While a bouncing economy can affect many areas, specialty food items and unique crafted goods are generally less affected than the main, with unique items typically finding favor in the marketplace.

The following article, reprinted, provides a degree of verification. Farmers Rated Best in Ensuring Food Safety Survey Identifies Consumer and Editor Opinions about Food Issues DES MOINES, Iowa— Tuesday, September 29, 1998— Food safety has surpassed issues such as crime prevention, health and nutrition, environmental protection, water quality and recycling as the most important public issue facing consumers. However, consumers give farmers high marks for their efforts to assure a safe food supply, a survey by the International Food Safety Council, a restaurant and foodservice industrycoalition, shows.

Fifty-nine percent of consumers surveyed said farmers are doing an excellent job to ensure a safe food supply. Supermarkets came in a close second at 57 percent, followed by food processors (44 percent), restaurants (42 percent), consumers (38 percent), government agencies (34 percent),

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and meat/poultry packers (29 percent). “ The survey clearly shows that consumers hold farmers in high regard for their efforts to produce safe and wholesome products,” said Bill Brewer, public relations counsel for the Food Practice Group. “ This offers an opportunity for the agricultural community...”

998 Food Issues Survey News Release Presented in association with the International Food Safety Council, a restaurant and foodservice industry coalition. [pic] The following tables show the pricing strategy that Farmers Choice will use for their products: [pic] Potential Markets [pic] Product Distribution and Sales Meat products are sold in a variety of ways somewhat dependent on fresh or frozen and size of package. At present, ethnic markets and specialty markets are underserved. A survey of the phone company’s yellow pages showed only two markets selling to ethnic groups in our proposed trade area.

Regardless of whether the market is a niche or traditional market, the meat sales are still handled in the same manner. Types of sales include:

- Over the counter in locker plants or meat shops
- By mail order
- Via Internet
- Door-to-door sales and delivery
- Grocery stores
- Institutional food vendors
- Specialty marketing
- Prepared food sales

Farmers Choice will not have any unique food sales methods. Rather, the company will sell via specialty markets, such as farmers markets, as frozen foods, shipping product sold via Internet or phone orders and over the counter at the processing facility.

For a small company, Farmers Choice will cover as many marketing avenues as time and resources permit. Estimated Market Share and Sales The potential sales volume for the projected sales area is \$10 million. This is Web sites and Iowa State University Extension estimates, which combine

population numbers and consumption numbers. With a projected sales volume of \$500, 000, Farmers Choice will not have a large market share. Competition Competition is formidable. The competitors have more buying power, more clout in the marketplace and more financial resources to cut deals with suppliers.

Farmers Choice has no illusions of coming into the market place and easily capturing sales. It will need to work hard to gain and keep sales. Customers have well established buying habits for meat products coupled with established preferences for products, packing and freshness. Competition is in the form of three main categories: 1. Large chain grocery stores for retail customers. 2. Small independent locker plants with retail counters. 3. Meat brokers and institutional food sales groups selling to restaurants. The main competition will be pork products marketed in the traditional manner, i. e. as a commodity. Typically, the consumer does not know where the product comes from and where and how it was processed. Family Farmers plans to differentiate its products from commodity meats in the following manner: • Preserve the identity of products from the hog raiser to the consumer, whether the product is sold in meat markets, grocery stores, restaurants or delicatessens. • Hogs will be raised in open pastures on a rotation basis, as opposed to highly dense confinement buildings, thus minimizing the investment required and eliminating waste disposal and related environmental problems.

Studies have shown that hogs raised in this manner have fewer health problems, thus reducing the need for medicines of various types, further reducing production costs. • Establish that the brand “ Family Farmers

Choice” offers products that are safe and are of consistent high quality, thereby deserving of a premium price. Who are our competitors? We do not know the annual meat sales volume of our competitors or their market shares. Such figures, if published, were not available for this study.

Farmers Choice prices will be competitive and, in some cases, higher than competing pork products found through other distribution channels. The higher cost, about 5 cents per pound higher on average, will result from the key differences of Farmers Choice product versus competitors’. Again, the sales history indicates consumers are willing to pay a very slight premium to get product that meets their criteria. Some key differences of our product include:

- It is a natural product, free of hormones.
- It is provided by farmers known to the consumer, as in “ food with a face.
- Quality is assured as all hogs are raised to an audited quality system.
- No quality problems will come from processing due to our small facility and worker responsibility for quality.
- Doorstep delivery is available where possible.
- Customers can visit the factory where the food is made.

Competitive Advantage and Analysis The following table outlines how Farmers Choice compares to the competition in terms of product and other factors, including strengths and weaknesses. The analysis is of Farmers Choice against the competition by major groups.

While there may be key differences against individual stores or businesses, these do not exist in large enough quantity to affect sales or strategy of Farmers Choice. [pic] Following is an analysis of Farmers Choice strengths and weaknesses, opportunities and threats: SWOT Analysis (Strengths and Weaknesses Opportunities Threats) [pic] What Does the Coop Have to Sell?

Carcass Breakdown(Pork) Typical Market Pig Live weight (pounds)250
Carcass weight (pounds)184 Backfat 10th rib (inches)0. 9 Loin-eye area
(square inches)5. 2 Fat-free lean index (percentage)48. 0 Pounds of lean
meat88. 6 [pic] [pic]