

Nature brothers essay



**ASSIGN
BUSTER**

He created a low-salt seasoning mix, based on a nutritive yeast extract, that could be used to replace salt in most cases. This Thanksgiving dinner, prepared for 25 family members and friends, would be his final testing ground. He used his mix in all the recipes except the pumpkin pie? everything from the turkey and dressing to the vegetables and even the rolls. As the meal progressed, the verdict was unanimously in favor of his secret ingredient, although he had a hard time convincing them that it was his invention and was only 10 percent salt.

Everyone wanted a sample to try at home. Over the next two years, Morris perfected his product. Experiments in new uses led to “tasting parties” for friends and neighbors, and the holiday season found the Morris kitchen transformed into a miniature assembly line producing gift-wrapped bottles of the mix. Morris became something of a celebrity in his small town, but it wasn’t until the Ladies’ Mission Society at his church approached him with the idea of allowing them to sell his mix as a fund-raiser that he realized the possibilities of his creation.

His kitchenettes operation could support the sales effort of the church women for a short time, but if he wanted to take advantage of a truly marketable reduce, he would have to make other arrangements. Morris agreed to “test-market” his product through the church group while he looked for ways to expand and commercialism his operation. The charity sale was a huge success (the best the women had ever experienced), and, based on this success, Morris moved to create his own company. Naming his product “Nature Brow. Old Fashioned Seasoning,” he incorporated the company in 1995 as Nature Brow.

Ltd. Morris used most of his savings to develop and register the trademarks, for packaging, and for product displays. He researched the cost of manufacturing and bottling his product in large quantities and concluded that he just didn't have the cash to get started. His first attempts to raise money, in the form of a personal bank loan, were unsuccessful, and he was forced to abandon the project. For several years he concentrated on his career, becoming a regional vice president of the insurance company he worked for. He continued to make "Nature Brow.

Seasoning" in small batches, mainly for his mother and business associates. These users eventually enabled Morris to get financial support for his company. To raise \$65,000 to lease manufacturing equipment and building space, he sold stock to his mother and to two other regional vice presidents of the insurance company. For their contributions, each became the owner of 15 percent of Nature Brow. Ltd. The process of getting the product to the retail market began in August 2002, and the first grocery store sales started in March 2003.

The initial marketing plan was fairly simple? to get the product in the hands of the consumer. Morris personally visited the managers of individual supermarkets, both chains and independents, and convinced many to allow a tasting demonstration booth to be set up in their stores. These demonstrations proved as popular as the first Thanksgiving dinner trial nearly 10 years earlier. Dale Morris's product was a hit, and in a short time he was able to contract with food brokerage firms to place his product in stores in a 10-state region.

PRESENT SITUATION As indicated in the balance sheet (see Exhibit 1), more capital is needed to support the current markets and expand both markets and products. Two new products are being developed: a salt-free version of the original product and an MS-based flavor enhancer that will compete with Accent. Morris worked with a business consultant in drawing up a business plan to describe his company, its future growth, and its capital needs.

OVERALL PROJECTIONS The first section discusses the objectives and sales projections for 2004 and 2005 (Exhibits 2 and 3).

The resulting pro formal income statements for 2004 to 2005 are in Exhibits 4 and 5. **2004 OBJECTIVES** The company's objectives for 2004 are to stabilize its existing markets and to achieve a 5 percent market share in the category of seasoned salt, a 10 percent market share in salt substitutes, and a 5 percent market share in MS products. Although the original product contains less than 10 percent salt, the company has developed a salt-free product to compete with other such products.

The dollar volume for the seasoned salt category in the seven markets the company is in will amount to \$7, 931, 889 in 2004. In 2003, sales of the company in the Oklahoma market were 5. 5 percent of the total sales for that market for the eight-month period that the company was operational. Since these sales were accomplished with absolutely no advertising, the company can be even more successful in the future in all seven current markets with a fully developed and funded advertising campaign.

The marketing approach will include advertisements in the print media, with ads on “ food ay’ offering contents coupons. This program will take place in

all seven markets, while stores will continue to use floor displays for demonstrations. Nearly 100 percent warehouse penetration should be achieved in 2004 in these markets. The goal for the category of salt substitutes for 2004 is 10 percent of the market share. This larger market share can be achieved since there are only a few competitors, Mrs.. Dash, IAMBI Inc. With Cordial Salt Alternative, and ARC with No Salt.

The company's product is superior in all respects and has a retail price advantage of 10 to 20 cents per can. In addition, the company's product is much more versatile than competitors' products. Aggressive marketing and advertising will emphasize the tremendous versatility of usage as well as the great taste and health benefits of the product. The informal consumer surveys at demonstrations indicated that consumers prefer Nature Brow. To competitors' products by a wide margin. A new product, which is already developed, will be added during this time.

Called " Enhance," it too is a dry mixed, no cooked, low-overhead, high-profit food product. Its category of MS products has a dollar volume of \$1 in these markets. This category includes only one main competitor, Accent, made by Pet Inc. Accent has not been heavily advertised, and it is a one-line product with little initial name recognition. The company's new product will have a 10- to 20-cent per can retail price advantage to help achieve a 5 percent share of this category. In summary, 2004 will be spent solidifying the company's present market positions. 005 OBJECTIVES The company intends to open eight new markets in 2005 that include Los Angeles, Phoenix, Portland, Sacramento, Salt Lake City, San Francisco, Seattle, and Spokane. These new markets make up 17. percent of grocery store sales, according to <https://assignbuster.com/nature-brothers-essay/>

the Progressive Grocer's Marketing Guidebook, the industry standard. In the category of seasoned salt, these markets have a dollar volume of \$1 5, 218, 886 a year. Salt substitutes sell at a volume of \$10, 064, 028, and the MS category \$3, 285, 528. With proper advertising, the company's shares forecast in our current markets will also be realized.

A 5 percent penetration of the seasoned salt category is a very conservative projection considering the strong health consciousness of the West Coast. A 10 percent penetration is targeted in the salt-free category. Using aggressive marketing, price advantage at retail, and better packaging, the company will be well positioned against the lower-quality products of our competitors. With the dollar volume of this category at \$10, 064, 028, a conservative estimate of our share would be \$1 In the category of MS, a 5 percent share will be achieved.

The main competitor in this category does very little advertising. Again, attractive packaging, aggressive marketing, high quality, and a retail price advantage of 30 to 40 cents per unit will enable the company to realize a 5 percent market penetration. This share of the West Coast markets will generate sales of \$164, 276. Total sales of all three products in these eight new markets will be around \$1, 931, 639. The company plans to continue to solidify the markets previously established through the use of coupons, coop advertising, quality promotions, and word-of-mouth advertising.

Market share in these original markets should increase by another 2. 5 percent in 2005. The dollar volume of the seasoned salt category in 2005 should be around \$9, 522, 472, and our market share at 7. 5 percent would

amount to \$714, 185. The dollar volume for the salt substitute category would be \$6, 220, 748, giving sales at 12. 5 percent of \$775, 593. In the MS category, a 7. 5 percent market share of the \$2, 055, 864 volume would give sales of \$154, 189. The company's total sales for the existing markets in 2005 will be in excess of \$1 , 643, 967. The totals for 2005 sales of Nature Brow.

Old Fashioned Seasoning will be \$1, 475, 128. Nature Brow. Salt-Free volume should be \$1 The sales of Enhance, our MS product, should be \$318, 465. This will give us a total sales volume of \$3, 557, 606 for all three products in 2005. FINANCIAL NEEDS AND PROJECTIONS In this plan, Morris indicated a need for \$100, 000 equity infusion to expand sales, increase markets, and add new products. The money would be used to secure warehouse stocking space, do cooperative print advertising, give point-of-purchase display allowances, and pay operating expenses.

NEW PRODUCT DEVELOPMENT The company plans to continue an ongoing research and development program to introduce new and winning products. Four products are already developed that will be highly marketable and easily produced. Personnel are dedicated to building a large and profitable company and attracting quality brokers. The next new product targets a different market segment but can be brought online for about \$25, 000 by using our existing machinery, types of containers, and display pieces. A highly respected broker felt that the product would be a big success.

The broker previously represented the only major producer of a similar product, Pet Inc. , which had sales of \$4. 36 million in 1985. The company

can achieve at least a 5 percent market share with this product in the first year. The company's product will be at least equal in quality and offer a 17 percent price advantage to the consumer, while still making an excellent profit. Another new product would require slightly different equipment. This product would be initially produced by a private-label manufacturer. The product would be established before any major machinery was purchased.

Many large companies use private-label manufacturers, or co-packers, as they are called in the trade. Consumer tests at demonstrations and food shows have indicated that each of these products will be strong. PLANT AND EQUIPMENT The company's plant is located in a nearly new metal building in Rose, Oklahoma. The lease on the building limits payments to no more than \$300 per month for the next seven years. The new compartmentalized filling equipment will be paid off in two months, and the seaming equipment is leased from the company's container manufacturer for only \$1 per year.

The company has the capability of producing about 300, 000 units a month with an additional \$1 5, 000 investment for an automatic conveyer system and a bigger product mixer. This production level would require two additional plant personnel, working one shift with no overtime. The company could double this production if needed with the addition of another shift. One of the main advantages of the company's business is the very small overhead required to reduce the products.

The company can generate enough product to reach sales of approximately \$4 million a year while maintaining a production payroll of only \$37, 000 a year. To meet the previously outlined production goals, the company will

need to purchase another filling machine in 2005. This machine will be capable of filling two cans at once with an overall speed of 75 cans per minute, which would increase capacity to 720, 000 units a month. A higher-speed seaming machine will also need to be purchased. The filling machine would cost approximately \$22, 000; a built sesame would cost \$25, 000, while a new one would cost \$50, 000.

With the addition of these two machines, the company would have a capacity of 1, 020, 000 units per month on one shift. By 2006, the company will have to decide whether to continue the lease or buy the property where located and expand the facilities. The property has plenty of land for expansion for the next five years. The company has the flexibility to produce other types of products with the same equipment and can react quickly to changes in customer preferences and modify its production line to meet such demands as needed.