

# Truearth healthy foods essay sample



**ASSIGN  
BUSTER**

TruEarth, a company founded in 1993 in Missouri by Gareth DeRosa, wants to launch a Whole Grain Pizza. This paper discusses what the forecast in terms of units and value of the demand for pizza will be. Secondly, an explanation is given if we would launch the pizza or not. Thirdly, the pizza results will be compared with the findings for pasta. Finally, it is justified whether or not there is a first-mover advantage in pizza like there was with fresh pasta.

#### Trial Purchase Intent

Definitely would buy

18%

% of “Definites” who actually buy

80%

“Definite” Purchases

14.4%

Probably would buy

43%

% of “Probables” who actually buy

30%

“Probable” Purchases

12.9%

Trial Rate (Definite + Probable)

27.3%

#### Marketing Plan Adjustment

Projected Consumer Awareness

16. 2%

All Commodity Volume distribution

40%

Marketing Adjusted Trial Rate

1. 77%

Target Households (MM)

58, 800, 000

Trial Households (MM)

1, 040, 760

Repeat Purchase Inputs

Trial Households

1, 040, 760

Repeat Purchase Occasions

2. 0

Repeat Transaction Amounts

1. 25

Repeat Rate

Mediocre Product

21%

Average Product

37%

Excellent Product

49%

## Repeat Volume

## Mediocre Product

546, 399

## Average Product

962, 703

## Excellent Product

1, 274, 931

As can be seen in table 1 and 2, our forecast in terms of units is between 1, 587, 159 and 2, 315, 691 depending on the perceived quality of the product. The total volume is the trial purchases together with the repeat purchases. The total trial households is 1, 040, 760, which was calculated by taking 1. 77% (marketing adjusted trial rate) out of 58. 8 million target households. The 1. 77% is calculated by multiplying the trial rate (27. 3%) by the projected consumer awareness (16. 2%) and the ACV (40%). Table 1 continued shows us a repeat volumes per perceived quality of the product, which was calculated by multiplying the trial households by the repeat purchase occasions by repeat transaction amounts and the repeat rate. Important to note is that we incorporated the users vs. non-users proportions within the calculated projected consumer awareness.

We calculated the total value of demand for pizza by multiplying the total volume with the average purchase price of \$12. 38. For mediocre product this results in a total value demand for retail of 19, 649, 028. In case of excellent product, the total value of demand for retail is 28, 668, 255.

“ Eckstein estimated that the wholesale volumes needed to exceed 12 million to meet the companies return requirements.” We made a distinction between total value of demand (retail) and total value of demand (wholesale) because the 35% profit margin goes directly to the retailers and not to TruEarth. In order to make reasonable financially justified recommendations, we excluded the 35% profit margin. As seen in table 2, all cases meet this return requirement. However, these results are based on an assumed penetration rate of 11%, which was the same for the pasta case. For mediocre, the return requirement are only exceeded by 771, 888. This means that if the penetration rate would be less than the assumed 11%, the total value of demand wholesale could end up below 12 million, which is not sufficient.

However, this is only the case for mediocre products with a low penetration rate. Chances of this happening are rather small, therefore we strongly recommend launching the product. Moreover, for average and excellent products we would definitely recommend to launch the pizza. The total value of demand for wholesale is significantly higher than the return requirements. Besides financial objectives, launching the pizza product also contributes to the Coda framework in terms of ‘ offering’ and the ‘ image’ of the company. This will increase their competitive advantage and potentially could increase sales of pasta due to a higher brand awareness.

By comparing the pizza and pasta concept test results we found some notable differences. For the pizza concept 60% of the sample is favourable to the concept, whereas for the pasta concept 76% is favourable to the concept. This might be due to the better perceptions of all attributes with the

exception of “ Looks appetizing”. The most convincing difference is the perception of price. For pizza 27% believes it is too expensive compared to only 8% for pasta. Even 20% of the customers who are favourable to the pizza concept perceive it as too expensive.

In the case of pizza, TruEarth would not enjoy a similar first mover advantages as with pasta. This is due to the fact that: “ Rigazzi had also tested a pizza concept and was likely not far from an introduction. The pressure to move quickly was high.” In the case of pasta (which launched in 2006), TruEarth could enjoy approximately 2 years of first mover advantage. Only in the beginning of 2008 some competitors entered their market. This would not be the case for pizza as their competitor Rigazzi is also close to an introduction. If TruEarth would enter the market faster than Rigazzi, the first mover advantage would only last for a short while.

In conclusion, the pizza concept test results are not as good as those of pasta and TruEarth will not enjoy a similar first-mover advantage. However, we recommend launching the pizza product due to financial reasons as well as contributions to the ‘ offering’ and ‘ image’.