NATUREVIEW FARM

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Agenda

- Natureview background
- The yogurt industry and Organics
- C’s & P’s
- The options & Dilemma
- Option analysis
- what Would you do??
- Recommendation
Manufacturer and marketer of refrigerated cup yogurt

Success factors –
- Strong brand
- Low cost
- National distribution within natural foods channel
- Strong relationships with distributors

Differentiators –
- Natural ingredients
- Long shelf life
- Reputation for high quality and good taste
Background (cont.)

- **1989**: Founded with two yogurt flavors with ~$100K Revenue.
- **1996**: Jim Wagner joined company as CFO.
- **1997**: Wagner arranged for infusion of VC Capital to fund investments.
- **2000**: VC firm wants out.
- **2001**: Growth of $20M needed by end of year.

1999 Revenue Reached 13 MM
yOgurt iNDustry & ORGANICS

Yogurt Sales

- 97% Supermarkets
- 3% Natural Food Stores

Yogurt Consumption in Million*

- Non Consuming: 175
- Women: 77
- Men: 33

* This Data is from US population of the year 1999 based on US Census

Yogurt Sales by Size

- 34% 6 & 8 Oz
- 22% Multi Pack
- 19% 32 Oz
- 9% Others

Heavy Organic Food Buyer (organic Dairy)

- Supermarkets: 34%
- Natural Food Stores: 22%
- Small Health Foods Stores: 19%
Do you remember your C’s?

Customers
- Natural Food Customers
- Women (single and with kids)
- High Income and more educated
- Live in Northeast & West Coast

Company
- 12 Flavors in 8 Oz cups and 4 in 32 Oz
- Longer shelf life
- Not treated with rGBH
- Strong relationships with leading natural food retailers

Competitors
- Horizon – Organic (Cash heavy and national brand)
  Shorter shelf life compared to Natureview
- Brown Cow – Natural not Organic (Presence in West Coast)

Collaborators
- Brokers
- Distributors
- Wholesalers
- Retailers

Context
- 58% of yogurt consumer would buy Organic if price was less expensive
- Long term growth requires $30mm Capital spend
- Organic food socially on the rise
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What about the p’SSS not

Product
• Size
• Flavors
• Natural
• Organic

Price
• Supermarket Channel
• Natural Foods Channel

Place
• Natural Food Channel
• National Retailer Channel
• Wholesale/Clubs i.e. Costco, Sam’s
• Convenience Store
• Drug Stores

Promotion
• Retail level
• Wholesale level
• Distributor level
Are we having fun YET!!
Options & Dilemma

Option 1
- Expand in 2 supermarket Regions (Northeast & west)
- Introduce 6 SKU’s of 8oz products

Option 2
- Expand Nationally
- Introduce 4 SKU’s of 32oz products

Option 3
- Stay in Natural Food Chains
- Introduce 2 SKU’s of children’s Multipack
Go–To Strategy

Supermarket Natural Food

<table>
<thead>
<tr>
<th>CHANNEL</th>
<th>Natureview Farm</th>
<th>Sales Brokers</th>
<th>Retailers</th>
<th>Consumer</th>
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</thead>
<tbody>
<tr>
<td>8 oz cup</td>
<td>$0.74</td>
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<td>4 oz multipak</td>
<td>$2.70</td>
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<tr>
<td>32-oz cup</td>
<td>$2.85</td>
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<tr>
<th>CHANNEL</th>
<th>Natureview Farm</th>
<th>Natural Foods Wholesalers</th>
<th>Natural Foods Distributors</th>
<th>Retailers</th>
<th>Consumer</th>
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<tbody>
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<td>$0.88</td>
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<td>4 oz multipak</td>
<td>$3.19</td>
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<tr>
<td>32-oz cup</td>
<td>$3.35</td>
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</tbody>
</table>
## Analysis

| Ad Plan | Option 1 | | Option 2 | | Option 3 | | No Change |
|---------|---------| |---------| |---------| |---------|
| Two Regions | | National | | Stay in | |
| 20 Chains | | 4 Regions - 64 Chains | | Natural Foods | |
| Sales | $25,900,000 | $14,850,000 | $6,030,000 | $2,800,000 |
| Slotting Fees | $1,200,000 | $2,560,000 | $0 | $0 |
| Gross Profit | $9,324,000 | $6,474,600 | $2,267,280 | $1,036,000 |
| Marketing Costs | | | | |
| Less Ad Costs | $2,400,000 | $480,000 | $301,750 | N/A |
| Less Incremental SGA | $320,000 | $160,000 | $0 | N/A |
| Less Slotting Fees | $1,200,000 | $2,560,000 | $0 | N/A |
| Trade Promotion Expense | $217,500 | $512,000 | $0 | N/A |
| Less Broker's Commissions | $434,000 | $217,800 | $0 | N/A |
| Total Costs | $4,571,500 | $3,929,800 | $301,750 | N/A |
| Profit Contribution | $4,752,500 | $2,544,800 | $1,965,530 | N/A |
| Total Current | $14,000,000 | $14,000,000 | $14,000,000 | $14,000,000 |
| Sales Growth | $25,900,000 | $14,850,000 | $6,030,000 | N/A |
| Total Sales Projection | $39,900,000 | $28,850,000 | $20,030,000 | $16,800,000 |
| % Increase | 285% | 206% | 143% | N/A |
| Yearly Revenue | $39,900,000 | $28,850,000 | $20,030,000 | N/A |
| Gross Profit | $14,705,600 | $11,856,200 | $7,648,880 | N/A |
| Gross Margin | 37% | 41% | 38% | N/A |
| Required Investment | $4,571,500 | $3,929,800 | $301,750 | N/A |
| Profit Potential | | | | |
| Investment to | 96% | 154% | 15% | N/A |
analYsis explained

Option 1 (Two Region 20 Chains)  Option 2 (National (4 Regions) - 64 Chains)  Option 3 - (Natural Food Chains)

Incremental Sales
Gross Profit
Total Costs
Profit Contribution
Total Sales Projection
Required Investment
% Increase
Gross Margin
What would you do?
Recommendation

- Go with Option 3
  - Less risky
  - Gets us to our target
  - Does not cannibalize our existing customers and partners
  - Gives us a boost to get into the retail space at a later date
  - Revisit the retail options after we meet our 20M target and Investment is secured