

A Special Report
for the Air Cargo Export Program
of High Valued Northern Plains Products to Asian Markets

Potential Value-Added Food Product Groups:
Marketing and Production Opportunities
for High-End Consumer Food Products

David G. Kraenzel
Agribusiness Development Specialist
Department of Agricultural Economics

and

Associate Director
The Institute for Natural Resources and Economic Development

North Dakota State University
Fargo, North Dakota

July 1, 1999

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Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author and do not necessarily reflect the views of the U.S. Department of Agriculture.

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This publication reports on results from the informal alliance between North Dakota State University Research and Extension, the Red River Trade Corridor (now the Red River Trade Council, RRTC), Minnesota Research and Extension, the Strategic Performance Group, LLC, and other private partners.

While serving as the marketing chair of the Red River Trade Corridor Vegetable Industry Task Force, I have had the sincere pleasure of working with the following key players in this highly successful public/private alliance to reach a common goal - regional economic enhancement: Rudy Radke, Jerry Nagel, Jim Sauer, Rod Holth, Steve Enger, Bobby Koepplin, Brent Sorenson, Jo Gast, and a host of others dedicated to enhancing the quality of life and opportunity in the Northern Upper Great Plains ---- David G. Kraenzel, June 1, 1999.

NOTICE:

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Executive Summary

This report addresses potential value-added product group classification, potential market opportunity identification and potential production development opportunities defined during the fall of 1997 and spring of 1998 as an integral part of the overall Air Cargo Project. The intention was to remain consistent with the multi-year Air Cargo program goals to focus on product marketing, transportation, processing and production efforts targeted at the largest international growth market for Northern Plains high-valued agricultural products ... Asia. Early in the project, it was discovered that a number of potential strategic alliance partners were already focusing on US domestic markets. The decision was made to concentrate on these markets, as well as Asia, in order to gain the advantages of a strategic alliance partnership.

An agribusiness development process was initiated in this project utilizing a strategic market management systems method (SMMS) for defining market opportunities. This study involved an informal alliance between the Institute of Natural Resources and Economic Development at North Dakota State University (INRED), Fargo, North Dakota, and the Red River Trade Corridor (RRTC) Vegetable Industry Task Force. RRTC is located at the University of Minnesota, Crookston. Other collaborative individuals and their respective units who are active members of the Task Force and contributed to its success are presented in List 1.

Observations/Target Markets: (Please refer to Figure 1. US Food Service/Retail Deli Food Product Markets, Segments and Subsegments, page 6.)

- China — is characterized as a large growth market, population 1.3 billion, quality conscious, price sensitive, favor cheaper food, exports agricultural products to other countries and currently imports corn from the United States (US). (New entrants should target high-end food products, focusing on lower to central high-end subsegments.)
- Japan — is characterized as a small growth market, population 10 million, willing to pay a premium, quality demanding, health conscious, organically oriented, chemical conscious and does not want genetically manipulated products. (New entrants should target high-end food products, focusing on central to upper high-end subsegments.)
- Korea — is characterized as a medium-sized market, population 45 million, high quality demanding, price sensitive and organically oriented. (New entrants should target high-end food products, focusing on lower, central and upper high-end subsegments.)
- Thailand — is characterized as a small-to-medium sized market, population 25 million, price sensitive, organically oriented. (New entrants should target high-end food products, focusing on lower, central and upper high-end subsegments.)
- Taiwan — is characterized as a medium-sized growth market, population 60 million, quality conscious and price sensitive. (New entrants should target high-end food products, focusing on lower to central high-end subsegments.)

Since the initiation of the original Air Cargo Project, the Asian market economies have become unstable. This instability is sufficient to recommend that research in this report continue to be pursued but that market entry timing strategy be viewed as the most important decision.

List 1

Red River Trade Corridor Vegetable Industry Task Force Members

Paul Bauer
Tri-County Economic Development Assn.
20 E 2nd St., P.O. Box 697
Williston, ND 58802-0697

Lori Capouch
ND Assn. of Rural Electric Cooperatives
P.O. Box 727
Mandan, ND 58554

Bill Davis
USDA Rural Development
Federal Building, Room 208
P.O. Box 1737
Bismarck, ND 58502-1737

Steve Enger
Northern Produce
P.O. Box 246
Hatton, ND 58240

Jo Gast
Red River Trade Corridor
208 Selvig Hall
University of MN-Crookston
Crookston, MN 56716

Rod Holth
KIP Farms
702 South 48 Street
Grand Forks, ND 58201

Bobby Koepplin
Cass County Electric
P.O. Box 784
Valley City, ND 58072

David Kraenzel
Agribusiness Development Specialist
NDSU Extension Ag. Economics
P.O. Box 5437
Fargo, ND 58105-5437

Jerry Nagel
Red River Trade Corridor
208 Selvig Hall
University of MN-Crookston
Crookston, MN 56716

Rudy Radke
Coordinator
High Value Irrigated Crops Task Force
NDSU Extension Service
Barnes County Courthouse
230 4th St. NW, Room 105
Valley City, ND 58072-2947

Brent Sorenson
Agric. Utilization Research Institute (AURI)
P.O. Box 599
Crookston, MN 56716-0599

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Signature:

Date:

David G. Kraenzel

June 22, 1999

Abstract

This report classifies potential value-added product groups, identifies potential market opportunities and identifies potential production development opportunities in the Northern Great Plains. The use of informal public/private alliances is featured as a powerful and successful tool in contributing to economic opportunity creation. StratSense™ was the method used in the series of market studies.

Key Words: air cargo, strategic alliances, food product groups, public/private sector ventures, StratSense™, Pacific Rim, agribusiness development, ready-to-eat salads, deli salads, US salad market, prepared foods

Potential Value-Added Food Product Groups: Marketing and Production Opportunities for High-End Consumer Food Products

David G. Kraenzel

Introduction

This report addresses potential product group classification, marketing and production opportunities for high-end consumer salad products identified during the fall of 1997 and spring of 1998. The intention was to remain consistent with the multi-year AIR CARGO project goals to focus on those aspects of marketing, transportation, processing and production efforts toward the largest growth potential international market for Northern Plains high-valued agricultural products ... Asia. The Red River Trade Corridor was chosen as a strategic partner on a trial basis in order to explore new value-added food product technologies, increase resources, gain economies, maximize information gathering and avoid duplication of effort. Therefore, an informal alliance was formed between members of the Institute for Natural Resources and Economic Development (INRED)¹ and the Red River Trade Corridor (RRTC)². The RRTC has goals similar to INRED and is focusing on European technology, state of the art processes and knowledge in food product manufacture. In addition, one goal is to develop a distinct vegetable production, processing, and distribution region in the Northern Great Plains using Fargo, North Dakota, as the hub center. Such a vital regional marketplace would enhance trade and commerce in the area and serve as an assembly point for regional high-value agricultural products destined to US and international markets such as Asia. This collaborative approach will also help develop the infrastructure required to support such activity via air cargo. INRED contributed \$15,000 in funding from the Air Cargo project; \$7,500 of this was designated for value-added product group identification and market opportunity definition and \$7,500 was designated to assist in development of the resulting high-value crop base. Rudy Radke, Coordinator of the High Value Irrigated Crops Task Force, handled this portion of the project. RRTC's alliance contribution consisted of established contacts with European processors and manufacturers using state-of-the-art salad product technology. These companies have an interest in franchising their technology and/or manufacturing process in the US and Canada, beginning in the Red River Valley. These food manufacturing processes incorporate responsive, high-end consumer food quality and food safety demand criteria on the cutting edge of world competition. The four general criteria are: low bacteria, identify preserved, no preservatives and coordinated chill chain management.

¹The Institute for Natural Resources and Economic Development is a strategic grouping of faculty and staff within the Agricultural Economics Department and cooperating units at North Dakota State University. INRED offers a wide variety of professional services including economic feasibilities, impact statements and strategic marketing management analysis. David G. Kraenzel is currently associate director of INRED.

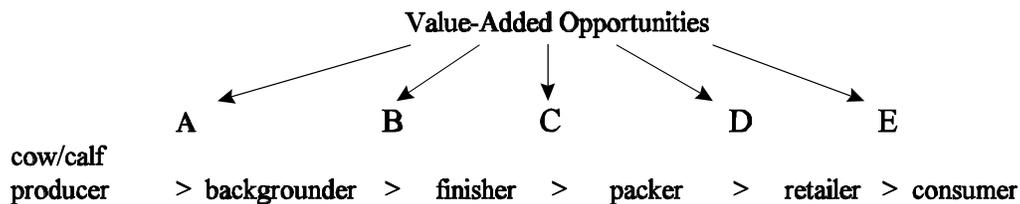
²Red River Trade Corridor is a strategic grouping of US states and Canadian provinces which includes the North Dakota, South Dakota, Minnesota and Manitoba agricultural production and marketing region. David G. Kraenzel currently serves as marketing chair of the RRTC's Regional Vegetable Industry Task Force.

Background

In the past few years, regional farmers and ranchers have experienced shrinking profit margins. As the margin between prices received and costs incurred narrows and the food market is increasingly driven by consumer demand, producers are faced with decisions. Do we do more of the same? Do we differentiate our product at the farm gate? Do we get closer to the consumer? Or, do we do some of each? Any decision other than “more of the same” means the producer has selected a value-added marketing opportunity.

Value-added marketing opportunities are one avenue available to producers for increasing profits and business solvency. It is a risk versus return decision. Some call it vertical integration. Some call it survival in a changing agricultural industry. In any case, it offers the chance for enhanced economic opportunity, more jobs, a larger tax revenue base, a higher quality of life and the hope of being a significant factor in the Northern Plains’ global agricultural market presence.

This report focuses on salad products, but, the concepts may be applied to all aspects of regional agriculture. A prime example to study is the state beef industry, as illustrated in the food value chain below:



Each level of the chain offers the opportunity for additional profits (or losses). The cow/calf producer captures the profits “A” in the sale of the calf to the backgrounder, who in turn captures the profit “B” in the sale to the finisher and so on up the chain. "B" profits are a result of adding value to the product received (the backgrounder adds 200 to 250 lbs. of weight to the calf). Producers must choose how far up the food value chain they want to go to capture additional profit margins (or losses) which are now going to other people. One might ask, “Where am I going to stake my claim along the food value chain?” This then poses a new competitive challenge for the producer's management ability, quality control, capital demands, available resources and role in the distribution channel. It also requires a knowledge of local, regional, domestic and international markets.

Important areas to address are marketing management skill development, timely and accurate information, worker housing programs, employee management and relationship skills, financial sourcing assistance, processing facility and equipment development efforts, specialty crop production equipment, and economic production analysis. Collaboration by INRED personnel with various business, industry, government, other countries and states and land-grant university entities prompted the use of informal alliances to meet these challenges and benefit the agricultural economic vitality of the Northern Plains region.

Trends Affecting North Dakota Agriculture

The following 13 trends are presented to give an overview of the current agricultural situation. Although some trends are North Dakota specific, surrounding states are experiencing similar changes (Responding to Change Regional Workshop, 1998). Consumer-driven markets, value-added interest, increased globalization of markets and the industrialization of agriculture were selected as core trends and are the priority in this report. (These four trends are italicized for quick reader identification.)

- Federal payments — Prior to the 1996 farm bill, 12-16 percent of net farm earnings in North Dakota were in the form of federal government payments.
- Reduced Federal Program — Farmers will receive smaller income support payments from government programs. In return, they will gain greater flexibility in cropping and management decisions and assume greater responsibility for price, yield risks and marketing. Farmers will need to give additional attention to risk management.
- *Industrialization of agriculture* — As the agriculture sector seeks greater efficiency and lower risks, it is using more contracts, joint ventures, special credit arrangements, and other mechanisms to conduct business. Farm machinery designs also continue to be larger and more efficient, enabling farmers and ranchers to increase the size of their operations.
- Farm numbers declining — Smaller profit margins and an increase in family living costs are encouraging farmers and ranchers to increase the size of their operations. North Dakota is projected to lose 25 percent of its farms in the next 10 years. Farm numbers have dropped from 84,000 in 1936 to 32,000 today.
- *Consumer driven markets* — Consumers are demanding greater variety, quality, safety and convenience. This has resulted in an increased use of quality management systems, such as TQM (Total Quality Management) and HACCP (Hazard Analysis Critical Control Points) in the value chain (i.e., production systems and processing systems) and the opportunity for market driven production.
- Changing demographic structure — Consumers' needs and desires are changing as the US population is becoming older, more suburban and more ethnically diverse.
- Population declining — Thirty-one counties in North Dakota are natural decreaseers. These counties will continue to lose population even if out migration is stopped. The fastest growing segment of our population is age 55 and over.
- Income declining — Although consumer incomes are rising on a national basis, the per capita adjusted personal income in North Dakota has steadily declined since 1975 by comparison. North Dakota's 1994 per capita income is only 85.8 percent of the US average.

- Consolidation of trade — Seventy-eight percent of all retail dollars are spent in six locations in North Dakota. People shop at regional trade centers because they enjoy the variety, convenience, selection, comfort and recreation that malls offer.
- Main street business declining — There are 200 active main streets in North Dakota. Only 28 showed real gain in activity between 1980-1995.
- Farm family size decreasing — Until 1970, farm families included three to six children. Today it is zero to one.
- *Value-added interest high* — Interest in high value crop production (e.g., vegetables, potatoes, etc.), the vertical integration of farms and ranches and food processing is at an all time high in the region.
- *Increased globalization of markets* — Trade will continue to increase, providing more international market opportunities, as well as more competition in domestic and foreign markets.

Desired Outcomes

The knowledge developed in this report, along with the ongoing initiatives, will significantly contribute to the progress of achieving the following two desired outcomes:

- Enhanced economic opportunities and quality of life for Northern Plains residents as measured by the number of living wage jobs and income levels.
- An agricultural system in the Northern Plains that is highly competitive in the global economy as measured by market share, volume of business (product) and dollars while being supportive of rural communities at the same time.

Methods

The Agribusiness Development Process

To achieve these desired outcomes, it is very important to define market opportunities and begin to develop the crop production base to respond to the marketing opportunities. This is a systematic agricultural development process utilizing the strategic market management system (SMMS) for approaching the market, as well as further identification of possible market entry strategies.

Objectives: The general objective was to successfully design and implement SMMS for distinct food product groups of Northern Plains high-value agricultural products. Specific objectives were to:

- A. Facilitate the transfer and delivery of agribusiness marketing information to four distinct audiences: individual producers; agribusiness firms; agribusiness related audiences and in-service extension/students.
- B. Primarily focus on value-added products and agribusiness firms in the Northern Plains region.
- C. Conduct research using SMMS to determine market opportunities.
- D. Identify possible market entry strategies.
- E. Seek additional funding to support further intensified research.
- F. Initiate and develop working business relationships with European companies possessing state-of-the-art food manufacturing technologies.

Value-Added Product Group Identification

World market value-added product groups were broadly categorized by the RRTC Vegetable Industry Task Force. Product group selection was based on the task force's analysis of information already gathered from the RRTC, international companies and individual input based on the current and projected market. These product groups were chosen based on initial market indications and on four general categories of food quality and food safety considerations: low bacteria, identity preserved, no preservatives and coordinated chill chain management. These considerations encompass state-of-the-art knowledge, systems, processes and technology from Europe and are accepted to be the most advanced in the world at this time (RRTC Work Sessions, 1997-1998). The method employed was to identify and classify the product groups, individual products, and processes by surveying and analyzing the US domestic market. A survey of products in three Fargo grocery stores was conducted, listing product names and ingredients (Kraenzel and Young, 1997). A Request for Proposals was then written requesting a market analysis of the US domestic salad market. Concentration was centered on high-end consumer food products normally found in the deli or bakery sections of the grocery store. Figure 1

presents one illustration of food service/retail food product markets, market segments and subsegments.

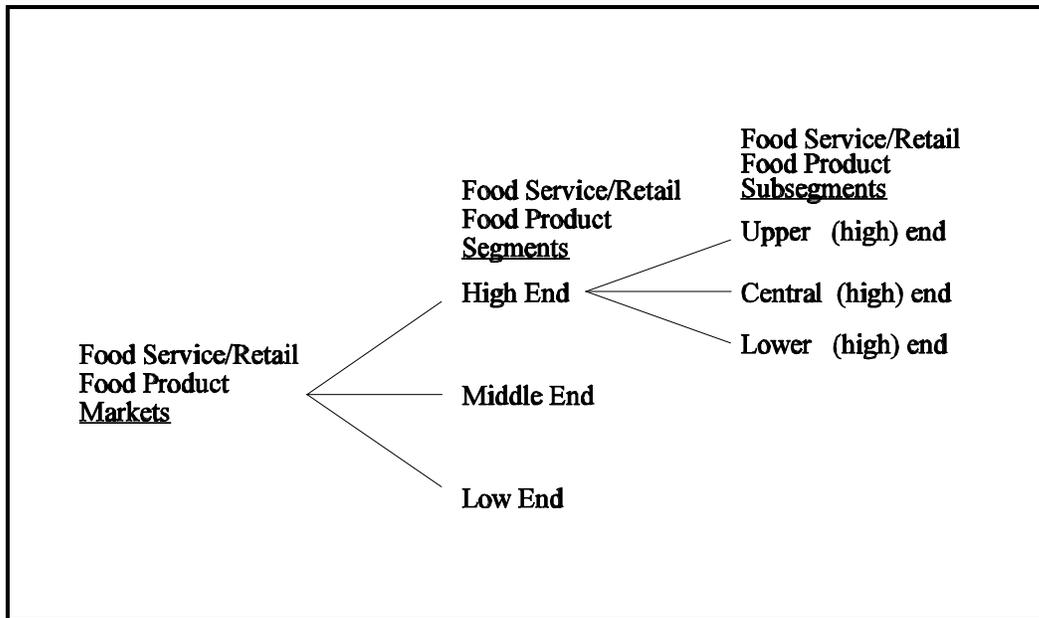


Figure 1. US Food Service/Retail Deli Food Product Markets, Segments and Subsegments. Fact sheet in progress. David G. Kraenzel. North Dakota State University Extension Service. 1998.

Food Product Group Market Studies and Considerations

The method used for obtaining the needed market information was as follows:

- Obtained the 1995 market report “The Market for Value-Added Produce,” a market intelligence report conducted by FIND/SVP (FIND/SVP, April 1995).
- Obtained the 1997 report “The Market for Value-Added Produce,” a market intelligence report conducted by FIND/SVP (FIND/SVP, November 1997).
- A request for proposals (RFP) was written and then reviewed by the European partner, and RRTC awarded the contract to the best bid.

Ready-To-Eat (Prepared) Deli Salad Market

The request for proposals (RFP) utilizing a SMMS approach was prepared by David G. Kraenzel, Agribusiness Development Specialist and member of the RRTC Vegetable Industry Task Force. This RFP is presented in full in Appendix A. The purpose of this action was to: (1) define value-added product groups and (2) obtain a test market overview of the US Domestic Market for Ready-To-Eat-Deli Salads, a growing segment of the world market for high-end salad products. It was later agreed that the test market overview would be defined as a regional market

area (1000 km or 661 miles radius) using Fargo, North Dakota, as the hub center. This study was done in conjunction with a memorandum of understanding between the Red River Trade Corridor and Michel Caugant, S.A., France. The RFP was then sent to seven private consulting firms for bids. A list of those firms is attached as a part of Appendix A. This market study was awarded by RRTC to:

Strategic Performance Group
520 Marquette Avenue, Suite 900
Minneapolis, Minnesota 55402

Parts A, B and C of the Executive Summary in the final report are presented in Appendix B.

Packaged Fresh-Cut Salad/Market

A request for proposals was prepared by David G. Kraenzel, Agribusiness Development Specialist and marketing chair of the RRTC Vegetable Industry Task Force. This RFP is presented in full in Appendix C. The purpose of this action was to: (1) define value-added product groups and (2) obtain an in-depth market study of the US domestic packaged ready-to-eat salad subsegment. This study was done in conjunction with a memorandum of understanding between the Red River Trade Corridor and Soleco, S.A., France. This project was awarded by RRTC to:

Senechal, Jorgenson, Hale, and Company, Inc.
11 Cherry Street
Danvers, MA 01923

This report is currently a work in progress and will not be completed until after the deadline for this report.

Market Entry Strategies

When an individual or firm makes a decision to enter a world market, the entry strategy becomes critical (Roberts, E.B., and C. A. Berry, 1985). There are several general alternative strategies available to regional Northern Plains value-added agribusiness initiatives:

1. **Enterprise development within a new or existing business entity.** This alternative allows development without limitations when compared to others. Decisions such as size, structure, capitalization and timing are at the discretion of the initiator. A disadvantage is the development time required to establish the entity.
2. **Acquisition of another entity.** This can save calendar time. It is possible for a firm to become established in the market in a matter of weeks, and many entry barriers are avoided. The downside is that the structure is normally taken as is and may result in duplicate resources.

3. **Strategic alliances (joint ventures, pure alliances).** Alliances offer the chief advantage of exploiting small firm/large firm synergies that exist. Risk is also distributed. A decrease in individual firm value may be experienced over time. Another drawback is the potential for conflict in operations.
4. **Licensing proprietary information/technology.** This strategy allows quick access to technology and reduced financial liability risk. Disadvantages include dependence on the licensor and a lack of technology and technology skills.
5. **Venture capital.** This strategy allows an influx of adequate available capital while diluting ownership percentage. In periods of rapid agribusiness growth this becomes a viable market entry strategy. This strategy alternative gives the original owner(s) the capital infusion needed to meet the inevitable increase in cash requirements which arise and are needed to support increasing sales.
6. **Licensing to others.** This allows quick access to the market at low cost and risk. The trade off becomes a lack of knowledge, control of the market, and a dependence on the licensee.

The choice of which entry strategy or combination to use requires careful consideration. Once a strategy is selected, commitment becomes the key factor in success (Kraenzel and Brown, October 1997). Strategic alliances in the form of joint ventures and licensing arrangements appear to be the most probable market entry strategies for these projects.

European Food Processors and Manufacturers

Michel Caugant and Soleco, two European salad food processors, were identified as having cutting-edge food processing technologies. These companies were also interested in US strategic alliance partnerships. Michael Caugant manufactures ready-to-eat or prepared food products as identified in Appendix A. Soleco manufactures packaged salad products referred to in Appendix C.

Business Project Group Formation

Business project groups were formed to work with each European food manufacturer. The groups had an intentional mix of individuals from private business, universities, economic development agencies and other organizations. The role of these informal groups was to develop working relationships, to make business structure choices and develop market entry strategies.

Fact Finding Visit

A fact finding visit was made to Holland and Belgium in March 1998. The purpose of this initial visit was to begin gathering information and establish working business dialogues with potential business alliance partners in these countries. Information was gathered on marketing food product groups showing potential in world markets. Packaging, display and merchandising

techniques were studied for potential use in regional Northern Plains value-added products to be marketed in the US and Asia.

Results and Discussion

The market for high-end salad food products continues to grow, as evidenced in the first completed market studies (Appendix B). This is further evidenced by a recent article in *The Packer*, the business newspaper of the produce industry. The overall domestic salad market is currently estimated to be \$1,086 billion dollars in sales and grew 15.6 percent from 1996 to 1997 (*The Packer*, April 13, 1998). This is a growth market. The informal alliance formed between INRED and RRTC is successful in identifying high-end food product groups, conducting marketing analyses, and gathering information on production opportunities for Northern Plains producers. The establishment of meaningful business project groups and members has resulted in progress toward a number of business ventures and formal alliances moving forward to establish a hub market for regional value-added food products in conjunction with the use of European processing technologies. These ventures will now be referred to as Northern Plains Alliances. These new business entities have reached “agreements in principle” regarding various working relationships and are now negotiating plans for coordinating baseline businesses. These businesses will integrate and coordinate a supply chain to provide consistent products on a year round basis and thereby position themselves to access local, regional, domestic, US and world markets such as Asia.

Observations

The following discussion relates Northern Plains entrepreneurial interests to European food technology interests. The suggested alliances between Northern Plains interests and European interests will focus on the high-end food product markets. These markets will generally include the US and Asian food markets. More specifically, the targeted markets will be the high-end food product segment. In addition to the US, countries identified as having the necessary characteristics to be receptive to high-end value-added food products from the Northern Plains region include China, Japan, Korea, Thailand and Taiwan (Koo, 1997).

A general discussion of consumer readiness focuses on consumer willingness, acceptance and ability to purchase value-added products from the Northern Great Plains.

- China — Characterized as a large growth market, population 1.3 billion, quality conscious, price sensitive, favor cheaper food, exports agricultural products to other countries and currently imports corn from the US.
- Japan — Characterized as a small growth market, population 10 million, willing to pay a premium, quality demanding, health conscious, organically oriented, chemical conscious and do not want genetically manipulated products.

- Korea — Characterized as a medium-sized market, population 45 million, high quality demanding, price sensitive, and organically oriented.
- Thailand — Characterized as a small-to-medium sized market, population 25 million, price sensitive, organically oriented.
- Taiwan — Characterized as a medium-sized growth market, population 60 million, quality conscious and price sensitive.

Given the general characteristics outlined above, any alliance between Northern Plains interests and European interests, producing high-end value-added food products may consider pursuing the Asian markets once their baseline business is established in the local, regional and/or domestic US markets.³ At the time of this study, the following five Asian (Pacific Rim) countries could be considered with the following target market categorizations:

- China — New entrants should target high-end food products, focusing on lower to central high-end subsegments.
- Japan — New entrants should target high-end food products, focusing on central to upper high-end subsegments.
- Korea — New entrants should target high-end food products, focusing on lower, central and upper high-end subsegments.
- Thailand — New entrants should target high-end food products, focusing on lower, central and upper high-end subsegments.
- Taiwan — New entrants should target high-end food products, focusing on lower to central high-end subsegments.

The determining reason that entrants to China and Taiwan should not target the upper high-end subsegment at this time is the lack of significant demand for organically grown food products when compared to Japan, Korea and Thailand.

These observations must be combined with logistics, income and other data compiled in the body of the Air Cargo Project Report in order to make economically feasible market entry decisions.

³Since the initiation of the original Air Cargo Project, the Asian market economies have become unstable. This instability is sufficient to recommend that research in this report continue to be pursued but that market entry timing and strategy be viewed as the most important decision.

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Appendix A

**A Request for Proposals
by the RRTC**

**“An In-Depth Market Study of the
US Ready-To-Eat Deli Salad Market”**

Appendix A

Request for Proposals to the Red River Trade Corridor* Vegetable Industry Task Force

David G. Kraenzel
Agribusiness Development Specialist, NDSU Extension Service
Marketing Chair, RRTC Vegetable Industry Task Force

General

One of the Red River Trade Corridor, Inc.'s goals is to establish a distinct vegetable production, processing and distribution region in the Northern Great Plains. This vital marketplace would enhance trade and commerce in the area. Funding support for the RRTC is by federal, state, private, and foundation monies. Part of these funds are being used to fund a market study entitled, "An In-Depth Market Study of the US Ready-to-Eat Deli Salad Market." For the purposes of this study a delicatessen (deli) type salad is defined as any food product or cuisine prepared for human consumption that consists of a carbohydrate or protein base (pasta, vegetable, coleslaw, dairy, seafood, egg, or meat) with added sauces, food ingredients or flavorings. Examples include potato salad, macaroni salad and three bean salad as well as extensive variations. Broad market outlets include retail food store delis, institutional and other food service market.

*Red River Trade Corridor is a strategic grouping of US states and Canadian provinces which includes the North Dakota, South Dakota, Minnesota, and Manitoba agricultural production and marketing region. The purpose of the organization is to promote the continuing regional and international development of the region.

An In-Depth Market Study of the US Ready-to-Eat Deli Salad Market

The author developed the following definitions and study guidelines for an RRTC Request for Proposals, while serving as the marketing chair of the Vegetable Industry Task Force. The Institute of Natural Resources and Economic Development provided part of the funds for this market study entitled “An In-Depth Market Study of the US Ready-to-Eat Deli Salad Market.” For the purposes of this study a delicatessen (deli) type salad was defined as any food product or cuisine prepared for human consumption that consists of a carbohydrate or protein base (pasta, vegetable, coleslaw, dairy, seafood, egg, or meat) with added sauces, food ingredients or flavorings. Examples include potato salad, macaroni salad and three bean salad as well as extensive variations. Broad market outlets include retail food store delis, institutional and other food service markets. NOTE: Approximately 90 percent of the these ingredients can be produced in the Northern Plains production region.

Research Guidelines

I. Ready-to-Eat Deli Salads — Current Salad Market Identification

The list of deli salads to be investigated should include but not be limited to pasta based salads-i.e. macaroni, tortellini, or rigatoni; potato based salads-i.e. homestyle, deluxe, or lowfat; vegetable based salads-i.e. spinach, cucumber supreme or broccoli; coleslaw based salads-i.e. red, green or purple; sour cream based salads(dips)-i.e. french onion, chile pepper or garlic; seafood based salads-i.e. tuna, crab or lobster; humus based salads-i.e. dill, 40 spices or onion; tapioca based salads; egg based salads; and meat based salads.

- US Domestic Fresh Vegetable Industry
- I. Ready-to-Eat Delicatessen Salads
 - A. Identify the current market
 - 1. Products/characteristics
 - 2. Consumption/trends
 - 3. Markets/trends
 - B. Identify current and developing food manufacturers (producers)
 - 1. Geographic location
 - 2. Business organization type
 - 3. Capitalization
 - 4. Management style
 - 5. Characteristics (age, size, alliances)
 - 6. Shifts in production areas
 - a. state
 - b. region
 - C. Identify current and developing processors
 - 1. Geographic location
 - 2. Business organizational type
 - 3. Capitalization
 - 4. Management style
 - 5. Characteristics (age, size, alliances)
 - 6. Shifts in processing areas
 - a. state
 - b. region
 - D. Identify distributors
 - 1. Geographic location
 - 2. Business organizational type
 - 3. Capitalization
 - 4. Management style
 - 5. Characteristics (age, size, alliances)
 - 6. Rank by profit, sales, number of employees
- II. Market Discovery
 - A. Customer Analysis
 - B. Competitor Analysis
 - C. Market Analysis
 - D. Industry Environment Analysis
 - E. General Questions
- III. Strategy Identification and Selection
 - A. Identify strategic alternatives
 - B. Select strategy (s)

The study should include:

- A. Identifying the current market (products, consumption, product characteristics, quality, shelf life, preservatives, markets/market characteristics, and related trends).

This includes both the traditional or classic food product markets and the natural or organic food product market. In addition, an examination contrasting these two markets to include needs, offerings, price differentials and the threshold coefficient for customer purchases of organic over classic food products.

- B. Identifying current food manufacturers (producers), their geographic locations, business organizational type, capitalization, management style and characteristics, shifts in production areas categorizing by state and regions to include emerging or developing state and regional production regions.
- C. Identify current, emerging and developing processors, geographic location, business organizational type, capitalization, management style and characteristics, their willingness to form alliances, as well as shifts in processing areas.
- D. Identify successful distributors that link the producers/production regions to the markets. This would include identifying distributors, geographic locations, business organization type, capitalization, management style and distribution characteristics, locations, alliances, as well as rankings by profit, sales, number of employees and company philosophy on the use of joint ventures, alliances and other forms of cooperative business ventures. How often are fresh product deliveries made available to the different outlets?

II. Market Discovery

This section should focus on consumer wants and needs, competitors, the market and the deli salad product industry. Relevant questions that should be addressed include:

A. Customer Analysis

- Segmentation

S Who is the biggest customer?

S Who are the most profitable customers?

S Who is the most attractive potential customer?

S Are there any logical groups based on needs, motivations or characteristics?

S How can the market be segmented based on: benefits sought; usage level; applications; organization, geographic; loyalty or price sensitivity?

- Customer Motivations
 - S What elements of the product/service are valued most?
 - S What are the customers objectives?
 - S What are they really buying?
 - S How is quality specified?
 - S How does quality affect sales?
 - S How do the segments differ in their motivational priorities?
 - S How do specific recipes affect sales?
 - S What changes are occurring in customer motivation?
 - S Does shelf life affect sales?
 - S What types of packaging are used, preferred, package sizes/preferences.
 - S Contrast prepackaged products versus deli served products.
 - S Where are the products purchased? What are the types of stores and at which counter?
 - S What are the institutional motivations, packaging and packaging types?
- Unmet Needs
 - S Why are some customers dissatisfied?
 - S Why are some changing brands or suppliers?
 - S What are the severity and incidence of consumer problems?
 - S What are unmet needs that customers can identify?
 - S Are consumers unaware of some?
 - S Do these unmet needs represent leverage points for competitors?

B. Competitor Analysis

Identify strategic groups, performance, image, objectives, strategies, culture, cost structure, strength, weaknesses

- Who are the Competitors?
 - S Who are our the most intense competitors?
 - S Less intense, but still serious competitors?
 - S Makers of substitute products?
 - S Can these competitors be **grouped into strategic groups** on the basis of their assets, skills, and/or strategies?
 - S Who are the potential competitive entrants?
 - S What are their barriers to entry?
 - S Is there anything that can be done to discourage them?
- Evaluating the Competitors
 - S What are their objectives and strategies?
 - S Their level of commitment?
 - S Their exit barriers?
 - S What is their cost structure?
 - S Do they have a cost advantage or disadvantage?
 - S What is their image and positioning strategy?
 - S Which are the most successful/unsuccessful competitors over time? Why?

- S What are the strengths and weaknesses of each competitor or strategic group?
- S What leverage points (strategic weaknesses or customer problems/unmet needs) could competitors exploit to enter the market or become more serious competitors?
- S Evaluate the competitors with respect to their assets and skills.

C. Market Analysis

Size, projected growth, profitability, entry barriers, cost structure, distribution system trends, key success factors

- Size and Growth
 - S What are the important and potentially important submarkets?
 - S In what segment is growth occurring?
 - S What are their size and growth characteristics?
 - S What submarkets are leveling, declining or will soon decline? How fast?
 - S What are the driving forces behind sales trends?
- Profitability
 - S For each major submarket consider the following: Is this a business area in which the "average firm" will make money?
 - S How intense is the competition among existing firms?
 - S Evaluate the threats from existing and potential entrants and substitute products.
 - S What is the bargaining power of suppliers and customers?
 - S How attractive/ profitable are the market and its submarkets both now and in the future?
 - S Fully describe profitability from different perspectives such as product type, distribution type, retail pricing level, margins and revenues. i.e. A good table displaying a breakdown of different sales prices and transfer pricing.
- Cost Structure
 - S What are the major cost and value-added components for various types of competitors?
- Distribution Systems
 - S What are the alternative channels of distribution?
 - S How are they changing?
- Trends
 - S What are the trends in the market?
- Key Success Factors
 - S What are the key success factors, assets, and skills needed to compete successfully?
 - S How will these change in the future?
 - S How can the assets and skills of competitors be neutralized by strategies?

- Potential Market Size
 - S Estimates of market size can be based on government sources or trade association findings. One approach is to obtain information on competitor sales from published financial sources, customers, or competitors. A more expensive approach would be to survey customers and project their usage to the total market.

- Environmental Analysis
 - S Technological, governmental, economic, cultural, demographic, scenarios, information need areas.

- Technology
 - S To what extent are existing technologies maturing?
 - S What technological developments or trends are affecting or could affect the industry?

- Government
 - S What changes in regulation are possible?
 - S What will their impact be?
 - S What tax or other incentives are being developed that might affect strategy?
 - S What are the political risks of operating in a governmental jurisdiction?

- Economics
 - S What are economic prospects and inflation outlets for the countries in which the firm operates?
 - S How will they affect strategy?

- Culture
 - S What are the current or emerging trends in lifestyles, fashions, and other components of culture? Why?
 - S What are their implications?

- Demographics
 - S What demographic trends will affect the market size of the industry or its submarkets?
 - S What demographic trends represent opportunities or threats?

D. General Questions

What are the significant trends and future events?

What threats and opportunities do you see?

What are the key strategic questions-areas of uncertainty as to trends or events that have the potential to impact strategy?

Evaluate these strategic questions in terms of their impact.

Is there potential for a producer cooperative?

Are these candidates for outsourcing or joint venture partners? Who are they?

III. Strategy Identification and Selection

Review the company mission and goals. Identify strategic strengths, weaknesses, problems, constraints and questions.

A. Identify strategic alternatives

B. Select Strategy(s)

The geographical bounds for this study are those that fall within the geographical bounds displayed in Map 1. Major cities in this region include Bozeman, Cheyenne, Chicago, Denver, Des Moines, Fargo, Grand Forks, Indianapolis, Kansas City, Madison, Milwaukee, Minneapolis/St. Paul, Pierre, Regina, Saskatoon, St. Louis, and Winnipeg. The estimated population in the region is 80 million people.

Map 1
Red River Region Market Area
1-Day Truck Drive



1,000 Kilometer Radius from Fargo = 80 Million People

The proposal was submitted to the following companies:

J. Steven Barnard
Ag Ventures Group
1610 Pierce Street
Lakewood, CO 80214

Wm. J. Englar, President
WFC Corporation
P.O. Box 1548
Moses Lake, WA 98837

Donald M. Senechal
Senechal, Jorgenson, Hale & Company
11 Cherry Street
Danvers, MA 07923

Wm. J. Englar, President
Englar Food Lab
P.O. Box 1548
Moses Lake, WA 98837

Neil C. Doty, Ph.D. Member
Mid American Consult. Int.
325 South 7th Street
Fargo, ND 58103

James R. Dempster
Simons Engineering
Midwest Plaza Building, Suite 1200
800 Marquette Avenue
Minneapolis, MN 55402

James R. Sauer, President
Strategic Performance Group, Inc.
One Financial Plaza, Suite 2500
120 South 6th Street
Minneapolis, MN 55402

Appendix B

Market Study: Prepared Deli Salads

Market Study

Prepared For

Red River Trade Corridor

Prepared by:

Strategic Performance Group, LLC.
520 Marquette Ave. - Suite 900
Minneapolis, MN 55402
800-216-7880

January, 1998

◆ **Foreword**

In October 1997, the Red River Trade Corridor Vegetable Industry Task Force (RRTC) contracted with Strategic Performance Group (SPG), a management consulting and research company headquartered in Minneapolis, MN to conduct a regional market study of the prepared ready-to-eat deli salad market.

The information contained in this study is based on several published resources, as well as, interviews with over one hundred industry sources. All dollar references to market size, sales, etc., are in U.S. dollars (\$).

Publication Date: January, 1998

Prepared by: Strategic Performance Group, LLC.
520 Marquette Ave. - Suite 900
Minneapolis, MN 55402
800-216-7880
<http://www.spg-consulting.com>

Prepared Deli Salads

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Market Study
Prepared Deli Salads

Introduction

Deli Salad Market Study

◆ Introduction

For the purposes of this market study we have defined the prepared ready-to-eat deli salad category to include the following:

- ◆ pasta based salads
 - macaroni, tortellini, rigatoni
- ◆ vegetable based salads
 - spinach, cucumber, broccoli
- ◆ cole slaw based salads
 - red, green, purple
- ◆ sour cream based salads
 - french onion, chile, pepper, garlic
- ◆ seafood based salads
 - tuna, crab, lobster
- ◆ humus based salads
 - dill, onion
- ◆ tapioca based salads
- ◆ egg based salads
- ◆ meat based salads

◆ Scope

The market study of the prepared ready-to-eat deli salad market is focused geographically within a 1000 kilometer radius of Fargo, ND. The information gathered for analysis is based on both primary and secondary research and include profiles of salad processors, deli / foodservice distributors and food wholesalers /retailers.

The trade research and market assessment includes an overall assessment of the ready-to-eat deli salad market along with strategic alternatives. This includes:

- ◆ Assessment of current market environment
 - products, consumption and market size
 - key trends
- ◆ Profile of key salad processors
- ◆ Profile of key deli / foodservice distributors
- ◆ Profile of key food wholesalers / retailers
- ◆ Assessment of study region by major market areas
- ◆ Identification of strategic alternatives
- ◆ Selection of best strategy

◆ **Region Defined**

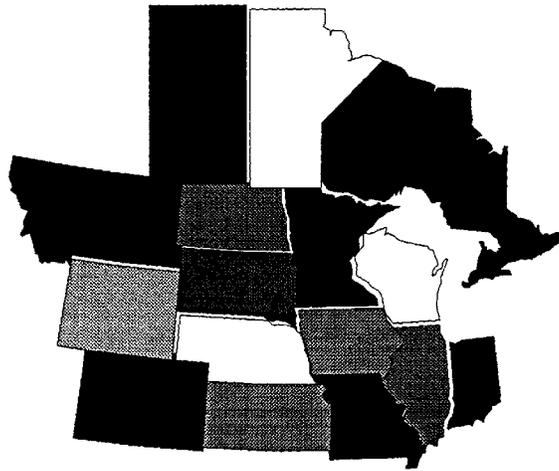
For this market study, the region is defined as the following states.

- ◆ North Dakota
- ◆ South Dakota
- ◆ Minnesota
- ◆ Wisconsin
- ◆ Illinois
- ◆ Iowa
- ◆ Kansas
- ◆ Nebraska
- ◆ northern Missouri
- ◆ eastern Colorado
- ◆ eastern Wyoming
- ◆ eastern Montana
- ◆ western Indiana
- ◆ Manitoba
- ◆ Saskatchewan
- ◆ western Ontario

Major market areas included in the regional study include the following cities and represent a population of 47.7mm people, 26,506 food stores and \$83.8 billion in total food store sales.

- ◆ Fargo
- ◆ Minneapolis
- ◆ Milwaukee
- ◆ Chicago
- ◆ Indianapolis
- ◆ St. Louis
- ◆ Kansas City
- ◆ Omaha
- ◆ Des Moines
- ◆ Denver
- ◆ Billings
- ◆ Regina
- ◆ Winnipeg

Market Study Region



The Market Study Region is comprised of an area of approximately 1000 kilometer radius of Fargo, North Dakota, USA.

Methodology

This information was compiled through two separate and distinct methods and then integrated to provide a comprehensive overview of the prepared ready-to-eat deli salad category.

The first method consisted of secondary research of various trade, industry and other published sources. The secondary research was supplemented with primary research in which SPG conducted telephone interviews with over 100 salad processors, deli foodservice distributors, and food wholesalers /retailers.

National market size estimates were used to make estimated volume projections for the area described as approximately 1000 kilometer radius of Fargo.

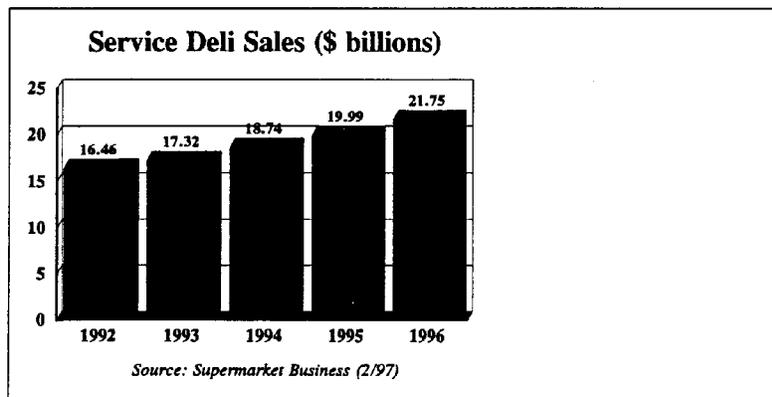
Market Study
Prepared Deli Salads

Executive Summary

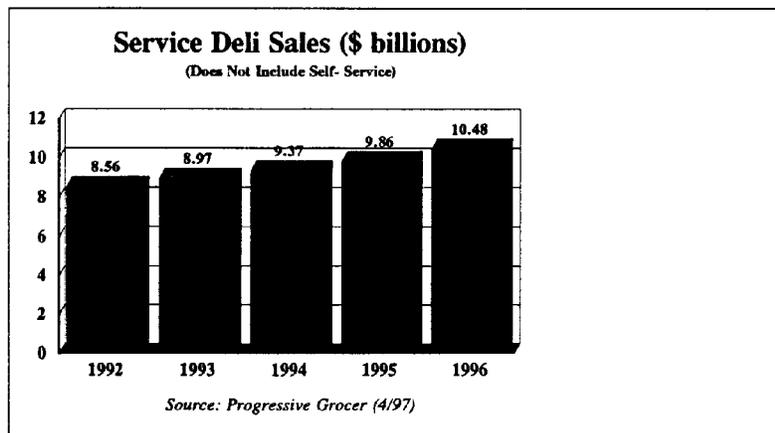
Executive Summary

◆ Deli Sales Growth

To gain a better understanding of the prepared deli salad category, an overview of the service deli will provide some perspective. Service deli sales in 1996 were estimated to be \$21.75 billion according to *Supermarket Business's Fifteenth Annual Deli Operations Review*. This includes both service and self-service deli's and represents an increase of 8.8% over the \$19.99 billion estimated in 1995. Deli sales as a % of total supermarket sales was 5.4% in 1996 (*Supermarket Business*) compared to 4.5% (*Progressive Grocer*). Sales have been rising steadily in recent years as illustrated by the following chart.



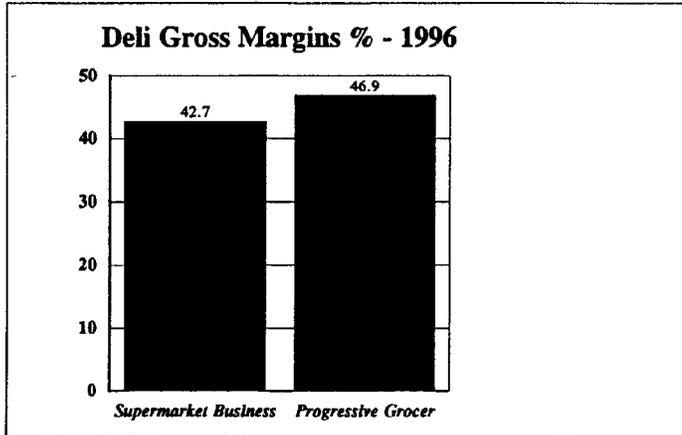
In a similar study conducted by *Progressive Grocer*, supermarket service delis showed an increase of 6.3% in deli sales to \$10.5 billion. This study does not include self-service deli sales which accounts for the primary difference between the two studies. Listed in the following chart is the sales trends over the past 5 years.



Executive Summary (continued)

◆ Deli Gross Margins

Gross margins for the service deli rose approximately 1% in the past year to 42.7% (*Supermarket Business*) similar to the 46.9% indicated by *Progressive Grocer*.



◆ Deli Shopping Patterns

According to *Progressive Grocer* most deli shopping, 42%, is done between noon and 5 p.m. Second in popularity are mornings, 9 a.m. to noon, which represents 35% of deli sales. The remainder of deli shopping is in the evening or late night.

◆ Frequency of Deli Shopping

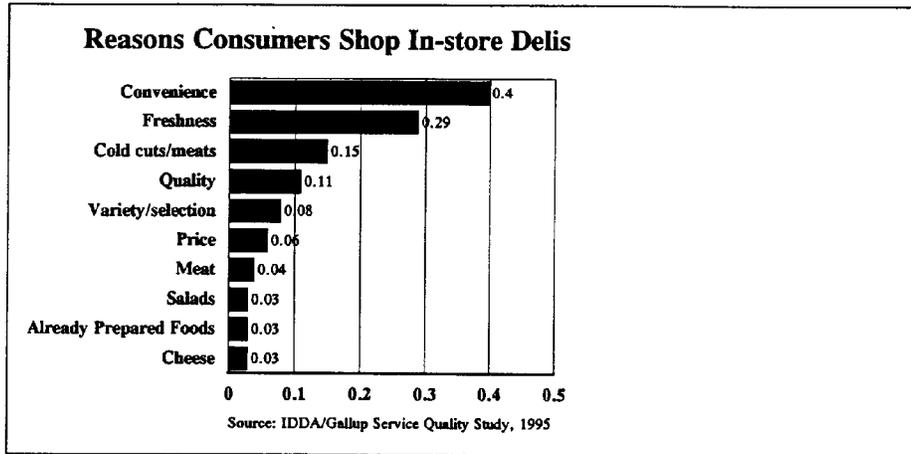
Shoppers in the Northeast generally shop the deli more frequently than do shoppers in other parts of the country as indicated by 58% of respondents. By contrast shoppers in the West have the lowest number of shoppers who frequently shop the deli.

Shopping Frequency	% of Shoppers				
	U.S.	NE	NC	S	W
Almost always / frequently	35	58	32	33	18
Occasionally	42	29	45	42	52
Almost never	23	13	23	25	30

Source: *Progressive Grocer* (4/97)

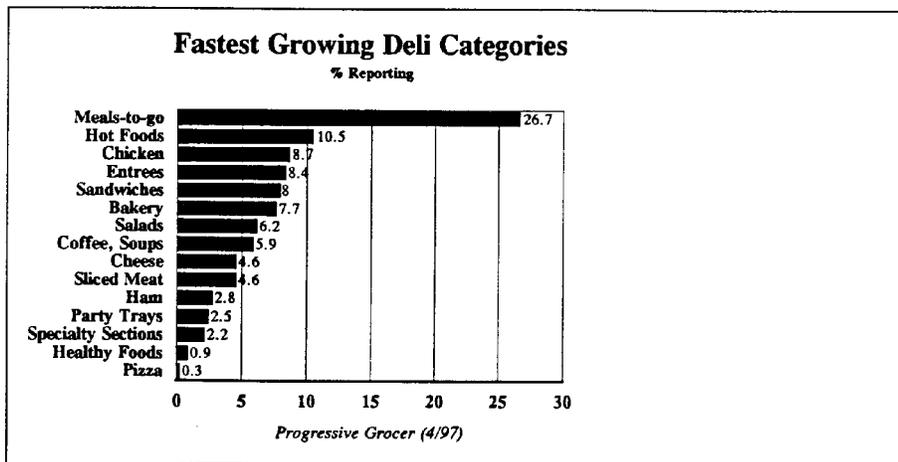
Executive Summary (continued)

◆ Reasons Consumers Shop at In-store Delis



◆ Fastest-growing deli categories

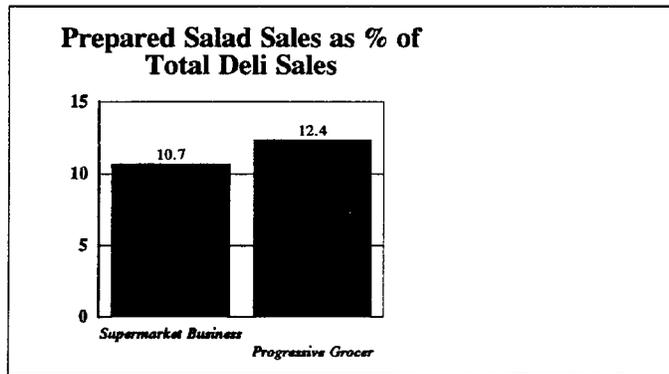
Progressive Grocer surveyed retailers about their fastest growing deli categories. It was difficult to distinguish categories because of specific programs used by each retailer. However, the following suggests the growth in the home meal replacement category. Salads were reported by 6.2% of retailers. Over 82.2% of supermarkets in the U. S. planned to offer prepared foods in 1997, up from 74.9% in 1996, according to Food Marketing Institute.



Executive Summary (continued)

◆ Deli Sales Mix - Prepared Salads

Prepared deli salads represent 10.7% of the service deli sales dollar according to *Supermarket Business*. In the *Progressive Grocer* study, salads accounted for 12.4% of service deli sales.



◆ Sales Trend - Prepared Deli Salads

The six year average for prepared deli salads as a percent of total deli sales is 11.4% and has shown minor fluctuations over the past seven years as illustrated in the following table.

	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Prepared salads as % of deli sales	10.7	10.9	11.4	12.0	11.3	11.1	12.2

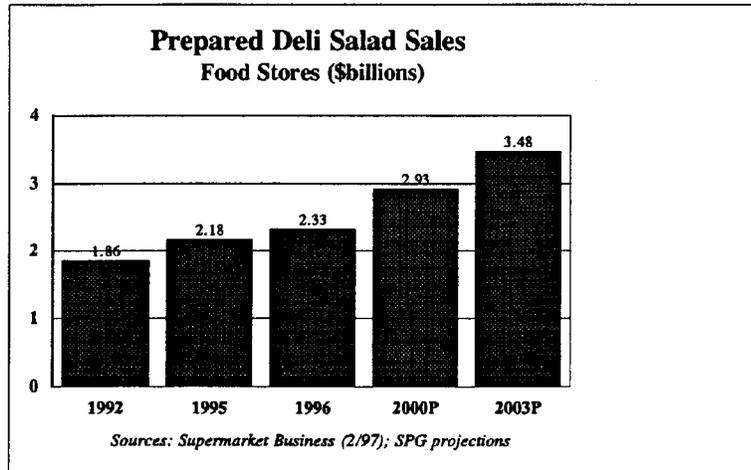
Source: *Supermarket Business* (2/97)

Although prepared deli salad sales have declined slightly as a % of total deli sales over the past seven years (12.2% in 1990 to 10.7% in 1996) the actual dollar sales has increased with the growth in deli sales. Overall deli sales were \$21.75 billion in 1996 compared to \$16.46 billion in 1992.

Executive Summary (continued)

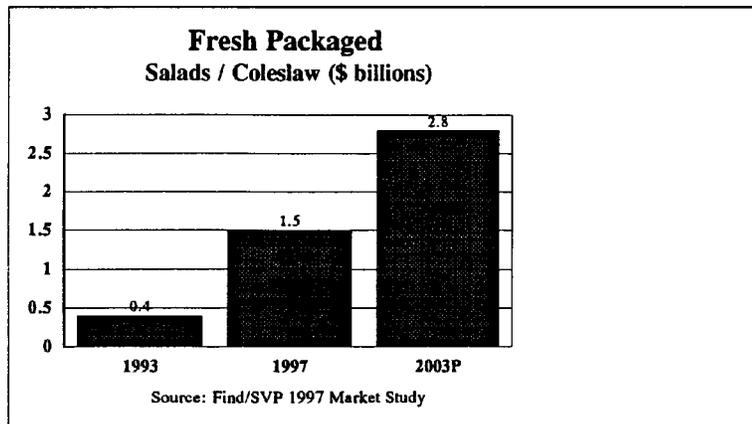
◆ Market Size - Prepared Deli Salads - Food Stores

The following chart illustrates the increase in prepared deli salad sales from \$1.86 billion in 1992 to \$2.33 billion in 1996. Sales growth increased 6.9% in 1996 over 1995. Using the average annual % sales growth of 5.9% over the last four years, prepared deli salad sales growth has been projected to \$3.48 billion in 2003.



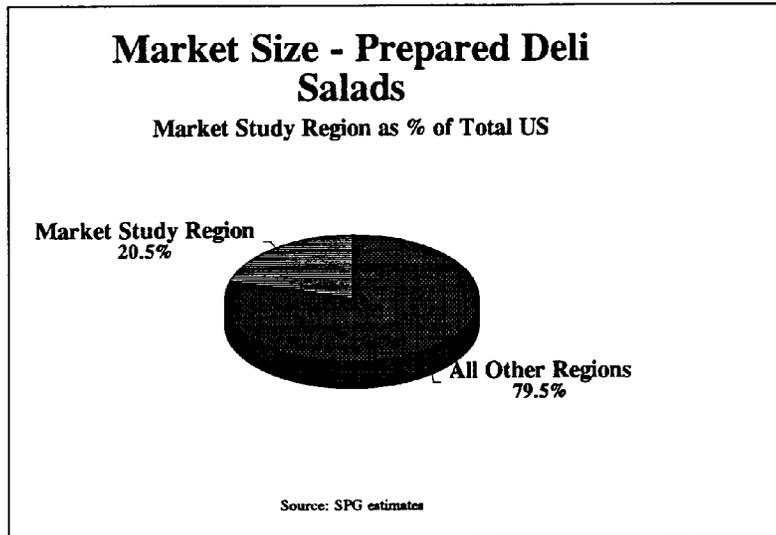
◆ U.S. Sales of Fresh Packaged Salads / Coleslaw

By comparison, the following chart illustrates the sales of fresh salads. Fresh salads accounted for \$1.5 billion in sales in 1997 compared to prepared deli salads sales volume of \$2.33 billion in 1996.



Executive Summary (continued)

◆ Market Size - Market Study Region



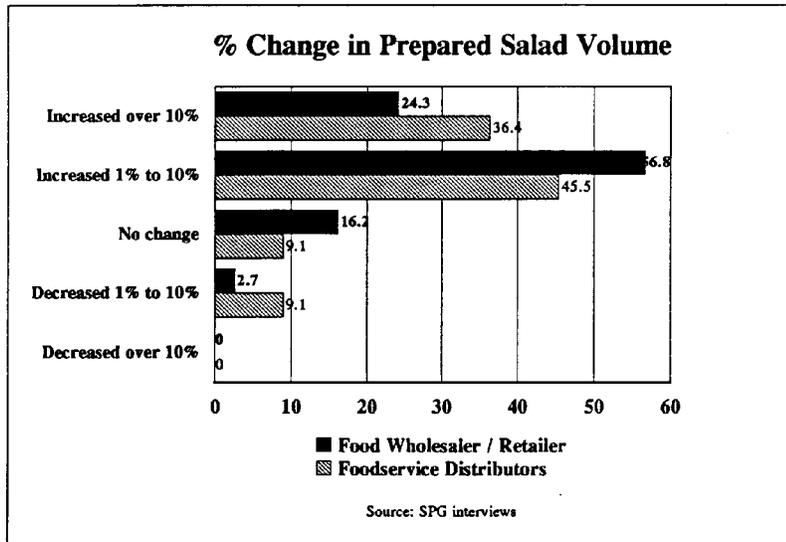
The U.S. market for prepared deli salads was estimated at \$2.33 billion by *Supermarket Business* in its 15th Annual Deli Operations Review.

Estimated prepared deli salad sales are \$502.8mm for the market study region. This is based on the eleven major regional cities in the United States and the two major regional cities in Canada and their respective trade areas. Excluding Canada, the region accounts for approximately 20.5% (\$477.6mm) of prepared deli salads for the entire United States.

Executive Summary (continued)

◆ Change in Prepared Deli Salad Volume

When asked how their volume of prepared ready-to-eat deli salad volume had changed in the past year, the majority indicated that it had increased.

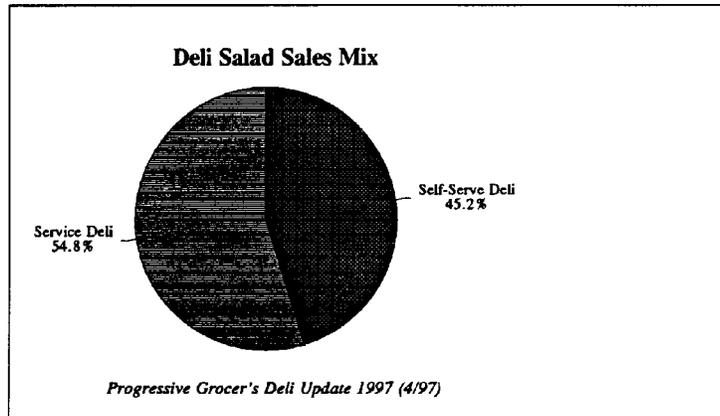


Supermarket Business estimates that prepared deli salad sales had increased 6.9% in 1996 over 1995. In SPG interviews with food wholesalers / retailers and foodservice distributors, the majority of respondents indicated that prepared deli salads sales had increased in the past year; usually in the 1% to 10% range. However, for 24.3% of food wholesalers / retailers and 36.4% of foodservice distributors, the increase in sales exceeded 10%.

Executive Summary (continued)

◆ Prepared Deli Salad Sales - Service vs. Self-service

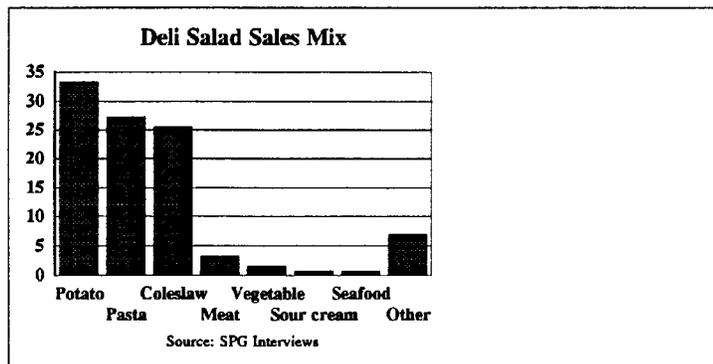
In the deli, 54.8% of prepared deli salads are sold in the service deli while the remaining 45.2% are purchased in the self service deli.



◆ Product Mix and Packaging

According to SPG interviews with industry sources and based on surveys with retailers; three salads - potato, pasta and coleslaw account for 80% of total deli salad sales. Potato salad varieties was #1.

According to The Voice of Foodservice Distribution, the most common pack sizes for prepared deli salads were five and 10 pound plastic or fiber containers. In SPG interviews, the eight pound container, in addition to the five and ten pound containers were the most commonly used bulk containers. For prepackaged containers, the sizes ranged from six ounces to 16 ounces.



Executive Summary (continued)

◆ Source of Salads

The majority of deli operators continue to receive their salads from a manufacturer/processor or foodservice distributor. Although it declined slightly in 1996 these two methods of distribution continue to account for the majority of salad distribution.

There is a small change in the last two years toward more retailer production of deli salads and prepared foods from a central commissary and less reliance on processors or distributors.

(% - includes multiple responses)	Year					5 yr Avg
	96	95	94	93	92	
Processor / manufacturer	72	75	62	59	55	64.6
Foodservice wholesaler/distributor	80	82	71	68	65	73.2
Stores making salads from scratch	51	57	67	62	59	59.2
Receive from central commissary	12	10	9	9	11	10.2

Sources: *Supermarket Business* and IDDA's *What's In Store 1997*

The number of stores making prepared deli salads from scratch has declined significantly in the past two years. Deli operators cite their concerns about an adequately trained labor supply. Other factors of concern to deli operators are food safety and product quality.

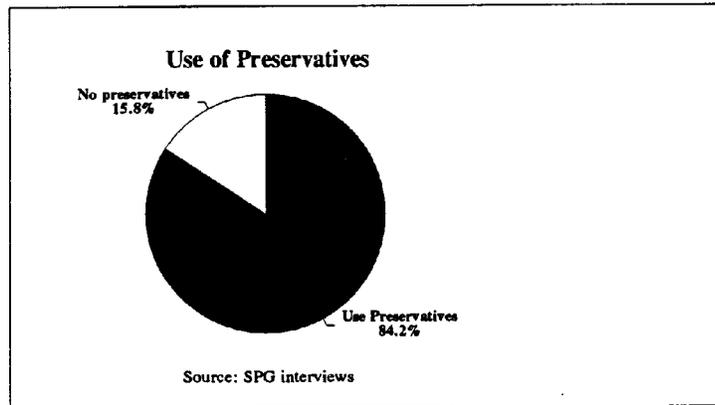
Contamination is always a concern among food handlers. Also, shelf life becomes more of a factor as most deli salads made from scratch do not contain preservatives. Consistency of product is another concern because stores make batch sizes in much smaller quantities than processors, thus increasing the likelihood that there will be variations.

The slight increase in the use of a central commissary is due to two factors according to *Supermarket Business*. It is a result of both a small increase in the number of companies that have commissaries and a greater number of products being produced at existing commissaries.

Executive Summary (continued)

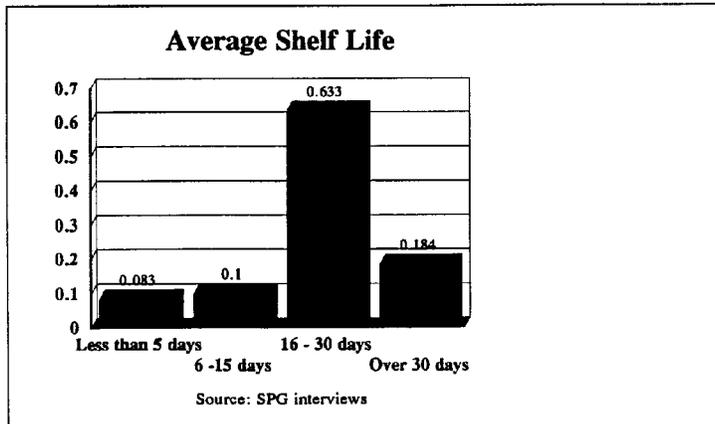
◆ Use of Preservatives

When food wholesalers / retailers and foodservice distributors were asked about the use of preservatives in their prepared deli salads, the majority indicated that preservatives were used. The primary exceptions were products made in-house from scratch or salads received from a central commissary. According to some customers, and its sales literature, one salad processor, Mrs. Gerry's does not use preservatives in its salads.



◆ Average Shelf Life

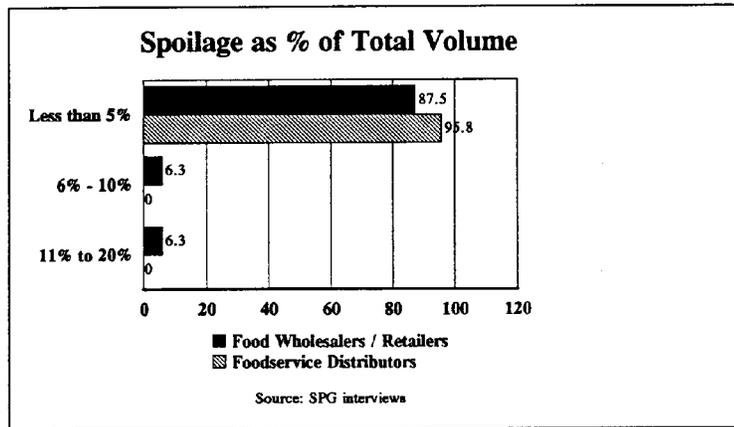
Shelf life varied depending on use of preservatives and whether a salad was mayo or oil based. In interviews conducted by SPG, the average shelf life averaged between 16 to 30 days. The following chart shows the shelf life distribution.



Executive Summary (continued)

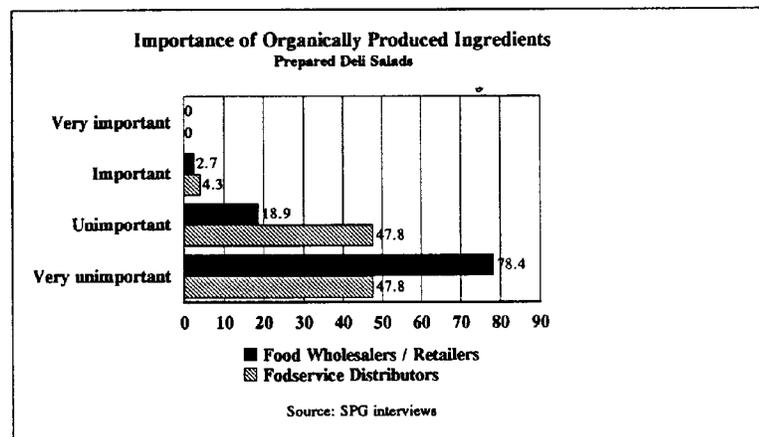
◆ Product Spoilage

When asked about the amount of spoilage of prepared deli salads, the vast majority indicated that spoilage was less than 5% of total volume. It was more of a concern for food wholesalers / retailers as indicated by the following chart.



◆ Importance of Organically Produced

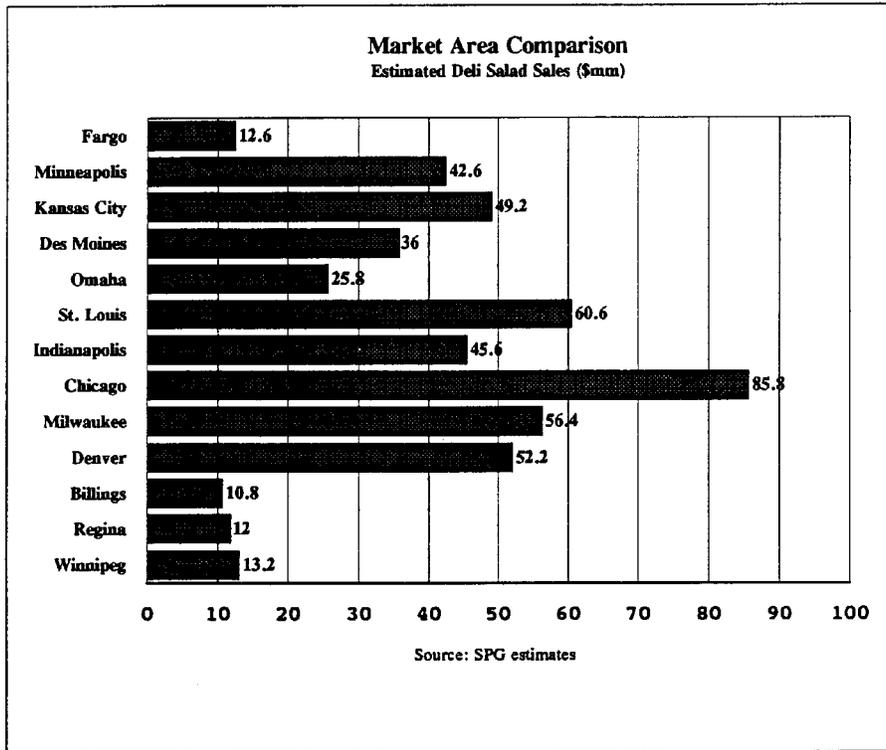
Most survey respondents reported very little importance to consuming prepared salads with organically produced ingredients. The following chart illustrates the level of importance that their customers have expressed in knowing that the prepared salads they are buying/consuming are made with ingredients that are organically produced.



Executive Summary - (continued)

◆ Estimated Deli Salad \$ Sales

Within the market study region there are eleven cities and their respective trade areas which represent the entire market region. The following chart illustrates the estimated prepared deli salad sales volume for each city and its trade area.



January, 1998

Regional Market Area

<u>Market Area</u>	<u>Population</u>	<u># Food Stores</u>	<u># Supermarkets</u>	<u>1996 Food Store \$</u>	<u>Est. Deli Sales</u>	<u>Est. Deli Salad Sales</u>
Fargo	1.2mm	837	160	\$2.1 billion	\$105mm	\$12.6mm
Minneapolis	4.4mm	2,335	443	\$7.1 billion	\$355mm	\$42.6mm
Milwaukee	5.2mm	2,857	697	\$9.4 billion	\$470mm	\$56.4mm
Chicago	9.9mm	4,144	986	\$14.3 billion	\$715mm	\$85.8mm
Indianapolis	4.3mm	2,092	581	\$7.6 billion	\$380mm	\$45.6mm
St. Louis	6.0mm	3,613	802	\$10.1 billion	\$505mm	\$60.6mm
Omaha	2.2mm	1,447	282	\$4.3 billion	\$215mm	\$25.8mm
Des Moines	3.1mm	2,025	418	\$6.0 billion	\$300mm	\$36.0mm
Kansas City	4.3mm	2,687	581	\$8.2 billion	\$410mm	\$49.2mm
Denver	4.2mm	2,220	428	\$8.7 billion	\$435mm	\$52.2mm
Billings	.8mm	634	140	\$1.8 billion	\$90mm	\$10.8mm
Regina	1.0mm	769	167	\$2.0 billion	\$100mm	\$12.0mm
Winnipeg	<u>1.1mm</u>	<u>846</u>	<u>183</u>	<u>\$2.2 billion</u>	<u>\$110mm</u>	<u>\$13.2mm</u>
Total Region	47.7mm	26,506	5,868	\$83.8 billion	\$4,190mm	\$502.8mm

Sources: *Progressive Grocer's* 1997 Marketing Guidebook, *Supermarket Business*, SPG estimates

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Appendix C

**A Request for Proposals (RFP) by RRTC “The US Packaged
Fresh-Cut Salad Market”**

Appendix C

A Request for Proposals (RFP) by RRTC “The US Packaged Fresh-Cut Salad Market”

David G. Kraenzel
Agribusiness Development Specialist
Marketing Chair, RRTC/VITF

Incorporating Informational Requests Forwarded by Soleco, S.A.

Research Guidelines/Checklist

I. Generally, the study should include:

A.

Identifying the current market (products, consumption, product characteristics, quality, shelf life, preservatives, markets/market characteristics and related trends). This includes both the traditional or classic food product markets and the natural or organic food product market. In addition, an examination contrasting these two markets to include needs, offerings, price differentials and the threshold coefficient for customer purchases of organic over classic food products.

B.

Identifying current food manufacturers (producers), their geographic locations, business organizational type, capitalization, management style and characteristics, shifts in production areas categorizing by state and regions to include emerging or developing state and regional production regions.

C.

Identify current, emerging and developing processors, geographic location, business organizational type, capitalization, management style and characteristics, their willingness to form alliances, as well as shifts in processing areas.

D.

Identify successful distributors that link the producers/production regions to the markets. This would include identifying distributors, geographic locations, business organization type, capitalization, management style and distribution characteristics, locations, alliances, as well as rankings by profit, sales, number of employees and company philosophy on the use of joint ventures, alliances and other forms of cooperative business ventures. How often are fresh product deliveries made available to the different outlets?

II. Specifically, Market Discovery

This section should focus on consumer wants and needs, competitors, the market logistics in the packaged salad product industry. Relevant questions that should be addressed include:

A.

Customer Analysis (profile)

1. Segmentation

Who is the biggest customer?

Who are the most profitable customers?

Who is the most attractive potential customer?

Are there any logical groups based on needs, motivations or characteristics?

How can the market be segmented based on: benefits sought, usage level, applications, organization, geographics, loyalty, or price sensitivity?

2. Customer Motivations

What elements of the product/service are valued most?

What are the customers' objectives?

What are they really buying?

How is quality specified?

How does quality affect sales?

How do the segments differ in their motivational priorities?

How do specific recipes affect sales?

What changes are occurring in customer motivation?

Does shelf life affect sales?

What types of packaging are used, preferred, package sizes/preferences.

Contrast prepackaged products versus deli served products.

Where are the products purchased?

What are the types of stores and at which counter?

What are the institutional motivations, packaging and packaging types?

3. Unmet Needs

Why are some customers dissatisfied?

Why are some changing brands or suppliers?

What are the severity and incidence of customer problems?

What are unmet needs that customers can identify?

Are customers unaware of some?

Do these unmet needs represent leverage points for competitors?

4. Consumer Profile

What is the consumer profile associated with the identified products?

For Example:	Domestic Food Habits
Act of purchase	Who/what/how
Act of Consumption	When/How much
Duration of the operating mode at home	
Structure of meals/just eating or enjoying the meal	
Restraints on consumption which can be determined	

B. Competitor Analysis

Identify strategic groups, performance, image, objectives, strategies, culture, cost structure, strength, weaknesses.

1. Who are the Competitors?

What is their market share?

Less intense, but still serious competitors?

Makers of substitute products?

Can these competitors be **grouped into strategic groups** on the basis of their assets, skills, and/or strategies?

Who are the potential competitive entrants?

What are their barriers to entry?

Is there anything that can be done to discourage them?

2. Evaluating the Competition

What are their objectives and strategies?

Their level of commitment?

Their exit barriers?

What is their cost structure?

Do they have a cost advantage or disadvantage?

What is their image and positioning strategy?

Which are the most successful/unsuccessful competitors over time? Why?

What are the strengths and weaknesses of each competitor or strategic group?

What leverage points (strategic weaknesses or customer problems/unmet needs) could competitors exploit to enter the market or become more serious competitors?

What are the competition's competitive advantages?

C. Market Analysis

Size, projected growth, profitability, entry barriers, cost structure, distribution system trends, key success factors.

What are the important and potentially important submarkets?

In what segment is growth occurring?

What are their size and growth characteristics?

What submarkets are leveling, declining or will soon decline? How fast?

What are the driving forces behind sales trends?

1. Product Mix Definition

What are the current products being offered?
Conduct a market survey of raw/prepared vegetables
Price
Usual weight/sale unit
Quality
Production/availability
Importation
Exportation
Wholesale market

2. Marketing Mix Definition

- a) Sales budget/organization
Usual trading terms/legislation
Structure of trading terms
Type of merchandising available
Promotional events
Type of promotional operations: prices, special packaging,...
Performance observed in fresh product families promotional operations
Organization of the sales (prices, human,...)
Structure
Customers targeted
Structure and prices operating mode
Chilled facilities investments
Prices positioning
Volumes targeted/Segment
- b) Communication plan/budget
Performance of the available media depending on the identified target(s) and its product motivations.
Is there a specific communication strategy in catering? If yes, what/how?
Tone/orientations of the fresh food products messages ⇒ all of the communication documents over the last 18 months.
Opinion formers in large and medium-sized store and catering?
Operating mode?
Institutional communication interaction with packaging and in-store advertising.
Communication plan to carry out on this basis in the next phase and costs.
- c) Consumable Items (all segments)
To Include:
Packaging: film
labeling/marketing

Delivery units: Cartons
 Re-usable containers
 Others?

- d) Margin Mix
 How would it be shared into a possible Franchise business?

3. Size and Growth

Food Services	Retail
Food services chain & catering companies Global Turnover and Segmentation of this market (school/army/health/Airline & Maritime catering). Tendency and targeted development	Turnover made by traditional and retail Existing retail chain Positioning of each chain Shares of each chain Cover of each chain Number of stores/chain Size of stores/chain Domestic tendency regarding the retail

- a) Existing product line offered
 Raw vegetables
 Other processed products: frozen, pre-cooked, cans, other?
 Analysis of this relative positioning in terms of customer perception/price levels and positions with reference sources (comparison between un-processed and processed?)
 Fresh vegetables brands existing?
 Price positioning
 Quality positioning
 If prepared fresh vegetables already exist, in which department of the store are they sold?
- b) Demand
 If already analyzed, gather; if not already analyzed, research it.
 Trade: Type of point of sales and method of sales required
 Product: existing or new ones
 Fresh, prepared or raw, shelf life
 Frozen
 Canned

- c) Competition - Market Shares
Do Franchises already exist among competitors? (positioning of each one and shares)
Which competitors are likely to compete with the Franchise?
- d) Competitive advantages
for The Franchise
for its competitor

4. Profitability

For each major submarket consider the following: Is this a business area in which the "average firm" will make money?
How intense is the competition among existing firms?
Evaluate the threats from existing and potential entrants and substitute products.
What is the bargaining power of suppliers and customers?
How attractive/ profitable are the market and its submarkets both now and in the future?
Fully describe profitability from different perspectives such as product type, distribution type, retail pricing level, margins and revenues. i.e. A good table displaying a breakdown of different sales prices and transfer pricing.

5. Cost Structure

What are the major cost and value-added components for various types of competitors?

6. Logistics Definition/Distribution Systems

- Transport Network
- Operations organization (direct platform wholesale)
- Chilled chain - Distribution - Storage in/out
 - S Chilled transport companies
 - S Reception bay/Cold storage room
 - S Existing furnishing (technical and legal report)
 - S Potential supplier of chilled cabinet
 - S Tendency on chilled products
 - S Consumer equipments and habits
- Distribution network retail/Food services
 - S Type of products/customer
 - S Shares of traditional/Retail/Food services
 - S Distribution network

What are the alternative channels of distribution?
How are they changing?

7. Trends

What are the trends in the market?

8. Key Success Factors

What are the key success factors, assets, and skills needed to compete successfully?

How will these change in the future?

How can the assets and skills of competitors be neutralized by strategies?

9. Potential Market Size

Estimates of market size can be based on government sources or trade association findings. One approach is to obtain information on competitor sales from published financial sources, customers, or competitors. A more expensive approach would be to survey customers and project their usage to the total market.

D. Environmental Analysis

Technological, governmental, economic, cultural, demographic, scenarios, information need areas.

1. Technology

To what extent are existing technologies maturing?

What technological developments or trends are affecting or could affect the industry?

2. Government (legislation)

What changes in regulation are possible?

What will their impact be?

What tax or other incentives are being developed that might affect strategy?

What are the political risks of operating in a governmental jurisdiction?

What are past, current, and proposed legislation

S on trade?

S on raw vegetables?

S on prepared vegetables?

S on chilled products?

S on hygiene?

S on packaging?

S on consumable items?

S on transport?

S on the shelf life?

3. Economics

What are economic prospects and inflation outlets for the countries in which the firm operates?

How will they affect strategy?

4. Culture

What are the current or emerging trends in lifestyles, fashions, and other components of culture? Why?

What are their implications?

5. Demographics

What demographic trends will affect the market size of the industry or its submarkets?

What demographic trends represent opportunities or threats?

- A specific consumer survey
 - S Families of consumers (segmentation)
 - S Needs
 - S Limits (products, price, origin, flavor weight, new, raw, prepared, chilled,...)
 - S Evolution targeted
 - S Reaction on prepared vegetables

6. Franchise Marketing and Sales Department

Proper company culture

Structure of the Sales Department

Structure of the Marketing Department

Marketing & Sales Department links with Production Department

Marketing & Sales Department links with Financial Department

Organization/Products

Organization/Customer (Retail/Food Services)

New product Development Organization

Launching of new products organization

Existing sales area (Domestic & Export)

Shares of each existing sales area

E. General Questions

What are the significant trends and future events?

What threats and opportunities do you see?

What are the key strategic questions-areas of uncertainty as to trends or events that have the potential to impact strategy?

Evaluate these strategic questions in terms of their impact.

Is there potential for a producer cooperative?

Are these candidates for outsourcing or joint venture partners? Who are they?

III. Strategy Identification and Selection

Review the company mission and goals. Identify strategic strengths, weaknesses, problems, constraints and questions.

A. Identify strategic alternatives

B. Select Strategy (s)

The geographical bounds for this study are those that fall within the geographical bounds displayed in Map 1. Major cities in this region include Bozeman, Cheyenne, Chicago, Denver, Des Moines, Fargo, Grand Forks, Indianapolis, Kansas City, Madison, Milwaukee, Minneapolis/St. Paul, Pierre, Regina, Saskatoon, St. Louis, and Winnipeg. The estimated population in the region is 80 million people.