

BigCo. Business Plan

By : Matt Lambert, Faisal Alhedaib, Mohammad Hejazi

12/6/2013

Table of Contents

- **Executive Summary..... 4**
- **Company Description..... 5**
- **Industry analysis..... 6-9**
- **Target Market..... 10**
- **Competitive Analysis..... 11**
- **Marketing Plan and Sales Strategy..... 12**
- **Operations..... 13**
- **Management and Organization..... 13**
- **Long-Term Development..... 14**
- **Financials..... 15**
- **Summary16**
 - **Appendix 17-19**
 - **References 20**

Executive Summary:

BigCo has been one of the largest produce companies in the U.S. for decades. Unfortunately, because of out of date business practices, almost no technology use, and neglect to new avenues in the industry BigCo has seen a 30% drop in their shares in the U.S. market. Our plan wishes to update the technology that BigCo currently uses and even introduce some new technological features to their workers. We also aim to cut excess spending by removing some of our spread out offices across the Country, and streamline communication through these offices by updating the technology that they use. Through implementing a JIT system we aim to asses our inventory needs, and make sure there is no excess spending at any stage of our produce processes. Since we are already a large company we do not need much capital in order to restructure our business. As a starter we plan to need 2 million dollars in order to effectively make sure that all of our technology is the best it can be, and all of our processes become more efficient and streamlined. Overall, we aim to update old business practices and technology and streamline this company in to a successful financial future.

Company Description:

BigCo is a company that has been run the same way for decades, and while it has worked in the past, we need to restructure the company in order for it to work in the foreseeable future. We believe that BigCo would run more efficiently if we cut out our offices around the country, and instead made the farmers work as our offices in those regions. Through updated technology we believe it would be easier to communicate and schedule with farmers from a main headquarters, cutting a lot of cost from our budget. By upgrading our technology we could also use electronic processing systems rather than hand processing, for a faster production rate while cutting the cost of having to pay many employees for what a machine can do. By updating our processing it also allows us to more effectively communicate with farmers and different branches by showing us how much each farm is producing, what percentage of the produce is unusable for our standards, how much money each farm (on average) is making us, how quickly they produce it, and how long it takes to reach the consumer. We also plan to implement a JIT inventory system into the company, so that we can cut costs on our inventory, and be able to get a more accurate representation of how much produce we need. Since we are such a large company we've been producing at a very large level. With the JIT inventory system we would be able to tell if we need to cut back on our production, and how much we should actually be producing in order to be the most profitable. Lastly, we wish to possibly partner with other companies or corporations in the produce industry, and create a new marketing strategy that will make us an even larger force in the produce industry than we ever had been before.

Industry Analysis:

By all accounts, marketing fresh fruits and vegetables has been transformed. First, consumer demand has increased for greater variety and quality in fresh produce. Second, supermarkets have merged, acquired new stores, and grown larger. Third, anecdotal evidence suggests that the role of merchant wholesalers in produce has become less important while that of the foodservice sector has increased. And fourth, nonprice provisions such as marketing fees have grown increasingly common in transactions between retailers and grower-shippers. ERS's study of the produce industry aimed to answer several questions. What is the current state of the produce industry? How do produce shippers and retailers conduct business? And is the increased use of different types of marketing fees the result of growing retailer influence or business efficiencies? The scarcity of public data led ERS to use a threepronged approach.

- ERS collaborated with Cornell University, and exhausted the public domain for data describing the fresh produce industry; these results are published in the ERS report, *Understanding the Dynamics of Produce Markets: Consumption and Consolidation Grow*, August 2000.
- Because data on transactions between shippers and retailers are scarce, ERS—in collaboration with the University of California, Davis; University of Arizona, and University of Florida—conducted interviews of shippers, retailers, and wholesalers for information on marketing of grapes, oranges, grapefruit, tomatoes, lettuce, and bagged salad. While the small number of interviews warrant caution in interpreting the findings, the research enhances understanding of recent changes in produce marketing. Results

from this portion of the project are published in U.S. Fresh Fruit and Vegetable Marketing: Emerging Trade Practices, Trends, and Issues, January 2001.

- ERS contracted studies with university researchers to assess the pricing by retailers for some fresh produce commodities in selected markets. Timothy Richards and Paul Patterson (Arizona State University) investigated supermarket retailer behavior in the selling and buying of Washington apples, California oranges, California grapes, and Florida grapefruits in Competition in Fresh Produce Markets: An Empirical Analysis of Channel Performance, published by ERS in September 2003.

Richard Sexton, Mingxia Zhang, and James Chalfant (University of California, Davis) examined the market for California and Arizona iceberg lettuce, packaged salads, and Florida and California tomatoes in Grocery Retailer Behavior in the Procurement and Sale of Perishable Fresh Produce Commodities, published by ERS in September 2003. U.S. produce markets have evolved considerably since the 1980s. Per capita consumption of fresh fruits and vegetables increased 6 percent between 1987 and 1995, and 8 percent between 1995 and 2000. New products were introduced to meet burgeoning consumer demand, and as a result, the average produce department is larger. The marketing channels have changed also. The share of produce volume sold directly by grower-shippers to retail supermarkets has increased, as have sales to the foodservice sector. Mass merchandisers, emphasizing everyday-low-price strategies, have provided new competition for supermarkets. In response, large supermarket retailers have emphasized customer service while pursuing efficiency gains and lower capital investment costs. Many of them have merged or acquired other chains, citing the potential for lower costs through streamlined operations, volume discounts in buying, and exclusive partner

relationships. Consolidation through mergers and acquisitions by grocery retailers has produced a significant increase in the share of total U.S. grocery store sales by the largest firms.

Coincident with these changes were new provisions in retailer-shipper transactions. Most controversial is the “slotting fee,” where suppliers pay a lump sum to retailers for introducing their new products to the supermarket shelves. The use of fees and services is controversial. Some argue that they are a manifestation of retailers’ market power over shippers, while others suggest the various fee and service requests have efficiency- based motives. Because both points of view are valid, empirical evidence is needed to provide greater insight into the factors underlying fees and retail consolidation. To date, no comprehensive empirical studies have examined these issues, largely because transaction data are proprietary. Thus, the issue remains unresolved. Economic Research Service/USDA U.S. Fresh Produce Markets: Marketing Channels, Trade Practices, and Retail Pricing/AER-825 3. To assess emerging practices in the produce sector, such as retailers’ requests that shippers pay slotting fees or provide services like customized containers, it helps to understand the importance of retailer market power. If they possess little or no market power, then fee and service requests must be driven by efficiency concerns, in which case policy response is inappropriate.

If market power exists, fees and services may be a symptom of that market power, but the appropriate policy remedies may not focus on disallowing use of such fees and services so much as the exertion of market power itself. If retailers hold market power over grower-shippers or consumers, banning the use of particular fees and/or services may simply cause that power to be manifested elsewhere, such as in lower acquisition prices, and perhaps at the cost of reduced efficiency. Econometric analysis indicated that retailers do influence prices paid

to fresh produce shippers and by consumers for some commodities. Retailer ability to hold shipper prices below competitive prices was evident for grapefruit, apples, and lettuce, but not for tomatoes, grapes, and oranges. Consumer prices in excess of purely competitive prices were evident for apples, oranges, grapefruit, fresh grapes, tomatoes, and lettuce. ERS' multiphase project has provided a deeper understanding of the relationship between retailers and shippers, ranging from the form of the transaction to the degree of retailers' influence over prices paid to shippers for some products. Despite these advances, several important questions remain. Specifically, does the presence of market power engender new trends in marketing, such as direct buying from grower-shippers, supply chain management, and fees and services? Or are they the outcome of efforts to gain distribution efficiencies? Making that determination requires additional research (Kaufman et al.).

Target Market:

Our target market is going to be healthy consumers, families, and young individuals. Through these markets we aim to make our company have more of a presence in social media, on television, and even advertising on billboards and in stores across the country. Through sites such as Facebook and twitter many companies have found ways to effectively reach their target markets and be able to advertise in ways they never have before. While people already know our product, since we aren't very technologically advanced, we need to make sure that we have a presence on sites like this so that people can find us easier, and be able to access information that they want about the company in a more comfortable setting for them.

Competitive Analysis:

Key industry players in the fresh produce sector include: Tom Lange Company, Coast Citrus Distributors, Caito Foods Service and Southern Specialties. The fresh produce industry is highly fragmented. Demand is driven on the consumption of fruits and vegetables and firms have to ensure that they have a sizable share of this market to gain competitive advantage over others. Currently, BigCo's source of competitive advantage is anchored on high quality, varied selection and a wide supplier network. However, this is not good enough as evidenced by the dwindling profits and loss of market share. This plan proposes that BigCo takes advantage of its large distributors network and benefit from economies of scale. It should also compete through product specialization by offering unique products such as herbs and fresh spices not found in other stores. It will also focus on dealing with specific geographical scope that may not be covered by competitors.

Marketing plan:

Nowadays, the fresh produce industry is more competitive and innovative. To beat their competitors, BigCo has to employ a marketing plan that complies with this trend. It should exceed the customer expectation to gain a competitive edge over competitors. This can be achieved by focusing their marketing energy on their unique and differentiated products such as organic, less perishable and seedless varieties. This will create positive publicity for their products and will eventually lead to an expansion of their customer base. They could also make use of content marketing techniques where they use various media to present the positive benefits of various types of fresh produce that they have. This is a new form of marketing that is considered less intrusive and has been proven to be more effective than traditional marketing.

Operations:

BigCo should replace manual operations with technology for better efficiency. They should employ the principles of lean operations to cut costs and improve efficiency. Product differentiation, as opposed under marketing should be used to create a competitive edge. The firm should make use of centralized physical facilities as opposed to scattered ones that are more expensive to run. Operations should be smooth lined through the development of online services and delivery systems. This will also broaden market share by attracting tech savvy consumers. In addition, the operational function can be further simplified through outsourcing of production processes for core business development i.e. supply and not processing.

Management and Organizational structure:

4H is sufficient as a strategic partner. BigCo's should seek outsourced services for various reasons. The first consultancy services needed are strategic management services to bring the firm to its proper footing. It also needs to outsource a technical partner to guide the production function and quality control. This will free up more resources and personnel to work on the firm's core business which is supplying and marketing. Maintaining a big technical workhouse is not cost effective. The HR function can also be outsourced to ensure that labor utilization is maximized. Strategic investors would go a long way in e of the much needed capital injection in the firm. The above partners and consultants should be engaged on a profit sharing basis for motivation and incentives. Top managers should also be sourced from best practice firms in the industry and they should be compensated accordingly.

Long-term Development plans:

The Company has elaborate plans for the future. It prospects on more opportunities of business through involvement with the community. It therefore looks forward to create forums for interaction through such avenues as organizing concerts, involvement in fund raisers and gainful youth events (Murray, 2008).

It is also in the company's plans to develop a self-checking system that will help screen problems early in time for appropriate remedial action. This will go a long way to avert delayed responses when harm has already been caused.

Bigco, Inc. also appreciates the role websites play in marketing. It therefore prospects on creating a website, as a marketing strategy to advertise on its products and range of businesses as well as the outlets. The website will be placed on the product labels. As much as the company appreciates that word of mouth marketing generates more business it also wants to capitalize on the economies of scale by embracing a non-stop presence online. This will therefore invite other social networks such as twitter and Facebook to complement our marketing avenues.

Financial plans:

It is in the company's financial plan to source funds either through grants or loans. This will be used to extend the business through renting more space for offices, injecting more energy in advertising and improving the image of the company on the whole. The same is supposed to come in handy to help hire more staff. Due to the revolutionization of the company, the fixed monthly cost is expected to slightly go up by over 5%. This will mean that everything possible shall have to be done to rationalize this by growing the monthly revenue by double digits.

The company also projects to enhance cash flow by improving the terms of service of employees for motivational purposes but still make resources to plough back and expand the company (McKinney, 2003). It therefore is top in the company's priorities to minimize liabilities, expand assets and make advances towards sustainable Long term plan growth even if it will mean in dribs and drabs.

Summary:

Bigco, Inc. stands out as one reputable produce company of its own kind. The fact that it has experienced a drop in their shares in the U.S. reduces nothing to the fact that it's a big company that can still find its ground and reclaim its glory. In a bid to do this, strategies have been put in place that will incorporate the use of technology and do necessary training to its workers. The company is also ensuring cost effective operations that will significantly cut on the cost of production that will not compromise the quality of its products and services. Bigco, Inc. is however keen not to lose its identity in the course of the revolutionization.

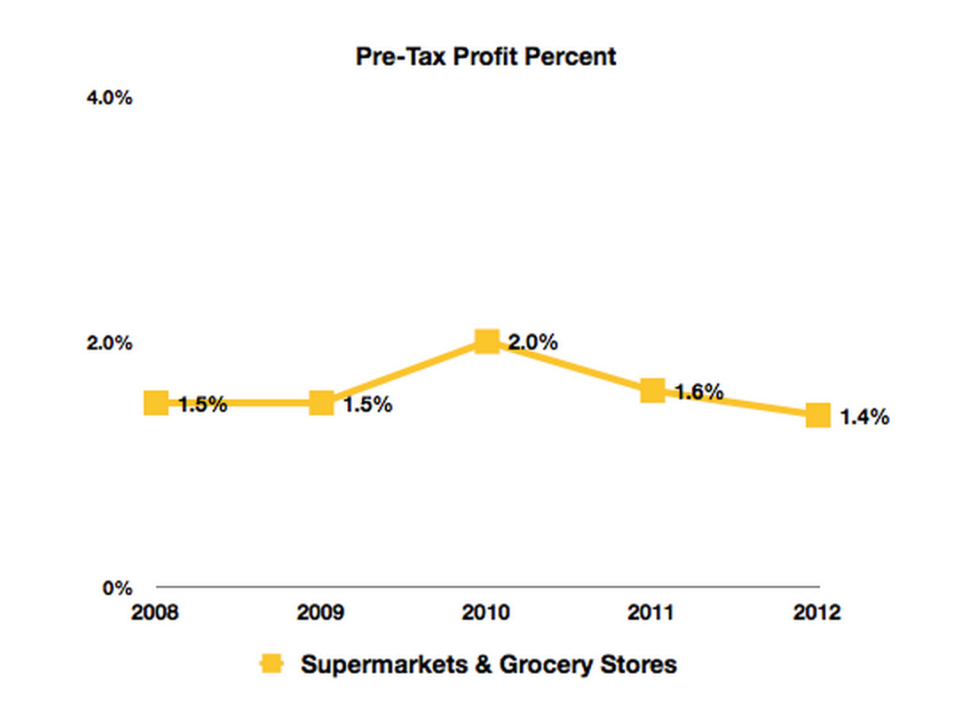
Bigco, Inc. stands for the best and is driven by a desire to meet more than what our customers will call for. The interest and preference of our customers inform our action plans and we thrive in making profit through customer satisfaction. With a well thought out strategic plan, visionary management and competent workforce we will hit big time and realize our goals. We will operate true to all business regulations and guidelines and keep all principles of fair competition but still claim our stand in the business arena (McKinney, 2003). It is a company, ready to embrace the best practices that will fit it in this new business age.

Appendix:

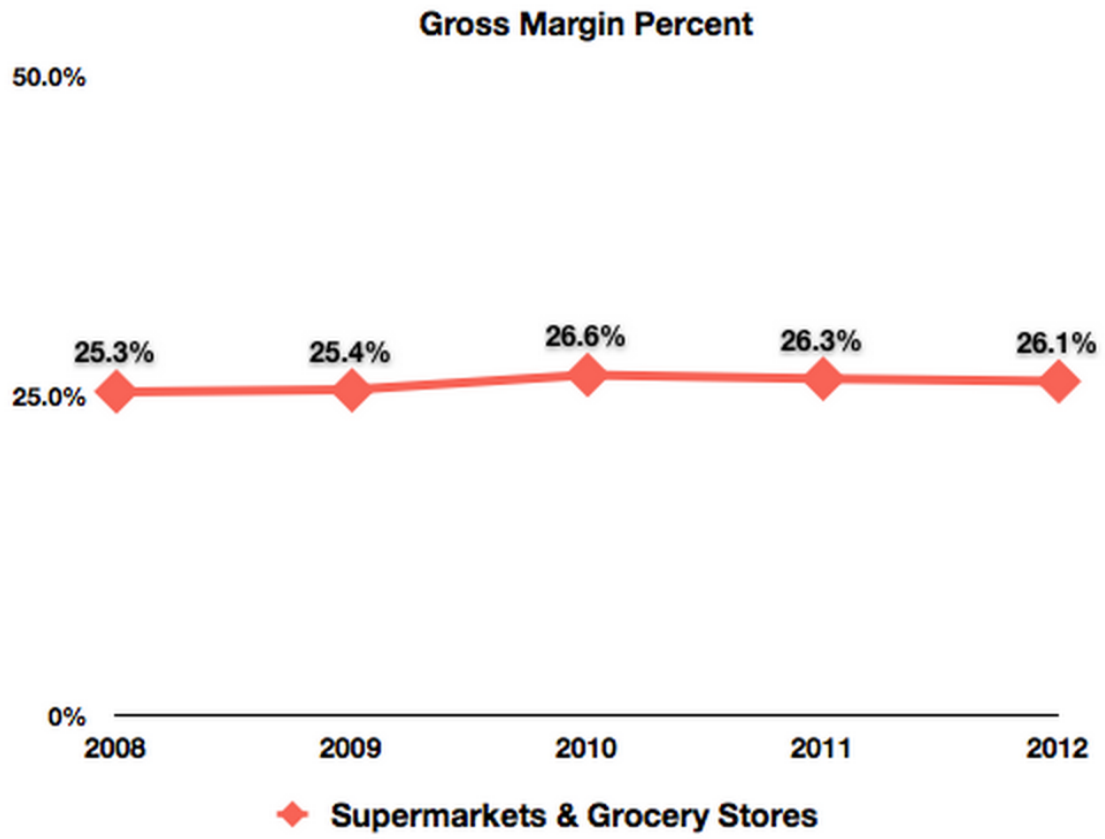
A)

- Kaufman, Phillip, Carolyn Dimitri, and Abebayehu Tegene. "USDA ERS - U.S. Fresh Produce Markets: Marketing Channels, Trade Practices, and Retail Pricing Behavior." *U.S. Fresh Produce Markets: Marketing Channels, Trade Practices, and Retail Pricing Behavior*. US Department of Agriculture, 23 Sept. 2003. Web. 05 Dec. 2013.

B)

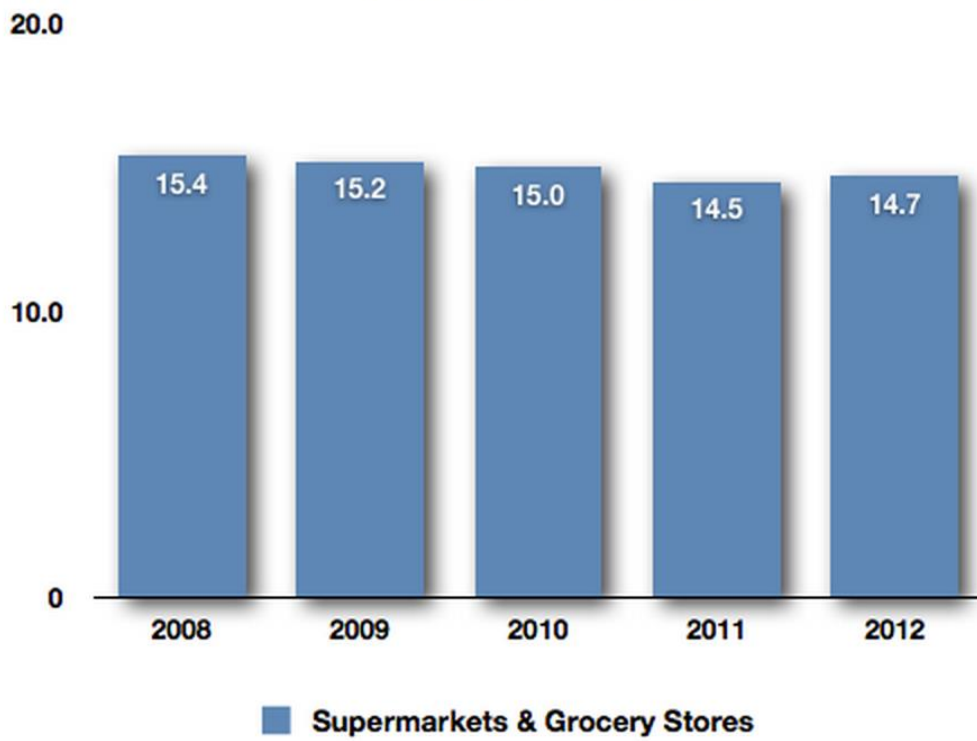


C)



D)

Inventory Turnover Trends



- References:

Murray, J. W. (2008). The complete guide to writing effective and award winning business proposals: Step-by-step instructions. Ocala, Fla: Atlantic Pub. Group

McKinney, A. (2003). Real business plans & marketing tools: Including samples to use in starting, growing, marketing, and selling your business. Fayetteville, NC: PREP Pub.