You have three clients in your county interested in opening retail outlets. The first client is interested in opening a specialty food establishment featuring grandma's secrete recipes for salad dressings, preserves and hot sauces. The second client plans on opening a dairy retail outlet featuring locally produce milk and other related products. However, they plan on the bulk of their sales being generated from fresh milk. The third client would like to open a retail meat market specializing in pork products.

Each of these three clients needs help in evaluating three locations for their. Remember, the old saying that a businesses success is heavily dependent on location, location, location. It is your job to read the provided materials and evaluate three different site locations and suggest the best site for each of the proposed facilities. Enough information is provided to evaluate each of the three sites with regard to it market potential.

Client #1 -Specialty food retail outlet (Sauces, dressings, preserves, etc...)
Read the following information to find the information that you will need to determine the market potential for each site, A-C.

Introduction to the Specialty Food Consumer

Consumers are becoming more adventuresome and trying flavorful, fresh, ethnic, and regional foods. In addition, consumer consumption of gourmet foods is increasing, providing an ideal situation for the introduction of a unique specialty food product. The increase in gourmet/specialty food consumption is reflected in sales which have increased from $15.3 billion in 1995 to $20 billion 2002, table 1. Sales of gourmet/specialty foods are expected to grow at an annual rate of 6.7%, reaching $27.6 billion in 2005.

Table 1. U.S. Gourmet/Specialty Food Retail Sales (millions of dollars)

Market	1996	2000	CAGR 1996-2000	2005	CAGR 2000-2005	CAGR 1996-2005
Coffee/tea	$2,750	$4,250	11.5%	$6,708	9.6%	10.4%
Confectionary Deserts	$3,141	$4,000	6.2%	$5,365	6.0%	6.1%
Condiments[1]	***$1,949***	***$2,554***	***7.0%***	***$3,582***	***7.0%***	***7.0%***
Cheese	$2,000	$2,350	4.1%	$2,860	4.0%	4.0%
Pasta/grains	$676	$810	4.6%	$1,032	5.0%	4.8%
Other Foods	$4,742	$6,036	6.5%	$8,076	6.0%	6.1%
Total	$15,258	$20,000	7.0%	$27,623	6.7%	6.8%

[1] Includes jams, jellies, and similar products
CAGR = compound annual growth rate
Source: National Association for the Specialty Food Trade

The Specialty Food Buyer Profile

Before investigating the specialty food buyer, it is important to understand what constitutes a "specialty food" product. There is no clear definition for specialty foods. For example, a product considered a specialty food in the early 1990s may not be a specialty food in 1999. As the popularity of specialty food products increase, competing manufacturers start producing and mass-marketing similar products. As a result, the once specialty food over time has been transformed to a mainstream grocery item. However, specialty foods can be loosely defined as value-added, premium-priced food products that provide an appeal within their category for one or more of the following reasons:

- quality of ingredients, manufacturing process and/or finished product
- sensory appeal, flavor, consistency, texture, aroma and /or appearance
- presentation (branding or packaging)

- origin (where the product was produced)
- distribution channel (specialty food retail outlets or sections within supermarkets/grocery stores)

The National Association for the Specialty Food Trade (NASFT) recently conducted extensive demographic research to create a profile of the specialty food consumer. According to the ***"Today's Specialty Food Consumer"*** (FASFT, 1998)**,** research, the specialty food customer can be generally described as:

- Households earning more than $100,000
- College education
- Two people households
- Household with children under 6 years of age and those with no children
- People between 55 and 64 years of age

Consumption Trends

The traditional gourmet market is re-emerging as mainstream food retailers have flooded the market with imitation gourmet products. However, there appears to be a backlash as the quality and price of these mass-produced gourmet products have diminished. Gourmet products are expected to return to their roots: unique, upscale, and expensive. The food industry anticipates gourmet products will re-acquire price and quality levels they once held. In addition, specialty food stores will actively promote the exclusiveness of their products, and consumers will treat themselves with these small indulgences. Any product you plan to sell must be able to compete with the competition, i.e., other specialty products in terms of quality, taste, presentation and availability. Anything other than a first class product and package faces considerable challenges in attracting speciality food buyers.

Potential retail sales for a specific retail operation can be estimated by using a standard formula:

$$ES = P \times EXP \times (ADI/MDI) \times MS$$

where

ES= Estimated sales
P= Trade area population (use target market only)
EXP= Average expenditures for retail outlet category
ADI = Area estimated median household disposable income
MDI = Georgia average household disposable income
MS= Estimated market share

Income Information

Disposable household income is calculated by subtracting total household taxes from total household income. For example, Assuming a 33% income tax rate, a total average household income of $100,000, the estimated disposable household income for an is estimated at $67,000 annually. Assume the tax rate is 28% for household incomes less than $50,000 annually and 33% for households with incomes over $50,000. Georgia's medium household income was $42,000 in 2000. If this income is taxed at 28%, their disposable household income is estimated to be roughly $30,240 annually.

According to the Food Marketing Institute, speciality food shoppers spend between $500 and $1,000 annually on specialty foods. The CAED assumes that on average, the specialty food shopper spends $1,000 annually on specialty foods and the fact that condiment sales constitute 12% of specialty food purchases (Table 1), a figure of $128 is used to represent specialty food shoppers annual per capita food expenditures on condiment products.

Demographic Data

The following table contains demographic information for three different areas. Using the 2000 Census data, an estimated 1,442 of area A residents have median household incomes equal to or exceeding $100,000 annually.

Miles	Site A	Site B	Site C
Population:	**52,110**	**56,515**	**56,717**
Households:	21,392	20,719	21,057
White Population:	34,671	45,809	31,003
Black Population:	16,527	7,566	24,504
Other Population:	623	1,402	102
Hispanic Population:	1,812	1,738	1,108
Total Population Breakout			
Total Aged 0-5 Years Old:	3,978	5,055	4,292
Total Aged 6-11 Years Old:	4,355	6,225	4,718
Total Aged 12-17 Years Old:	4,567	10,092	4,891
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Total Aged 35-44 Years Old:	7,612	6,148	8,370
Total Aged 45-54 Years Old:	7,435	5,416	8,057
Total Aged 55-64 Years Old:	5,270	3,171	6,741
Total Aged 65-74 Years Old:	4,332	1,984	4,572
Total Aged 75 Years Old and Over	3,962	1,681	3,222
Median Age:	38.4	36.8	38.1
Household Income			
Median Household Income ($):	42,433	40,855	31,330
Households Earning $0-15K:	3,229	6,591	14,179.25
Households Earning $15-25K:	1,886	6,990	8,904.57
Households Earning $25-35K:	3,933	5,262	7,997.10
Households Earning $35-50K:	4,029	4,805	9,301.59
Households Earning $50-75K:	5,340	4,531	9,131.44
Households Earning $75-100K:	6,299	2,353	3,856.76
Households Earning $100K-150K:	3,325	907	2,268.68
Households Earning $150K+:	3,837	535	1,191.06

Market Share information - is not available since there are no direct competitors in the area. However, three local food retailers sell some type of gourmet food products. You must select a percentage of the market you think they may realistically capture.

Client #2 -Fresh Pork butcher shop market. The client wants to specialize in fresh pork products but not in selling ready to eat meals or in a restaurant capacity.
Read the following information to find the information that you will need to determine the market potential for each site, A-C.

A National Pork Producers Council study identified five very different pork consumer segments and they are as follows[1]:

- **Main Street Today**
- **Quality Carnivores**
- **Good N' Plenty Guys**
- Apathetic Eaters
- Politically Correct Eaters

Based on these survey segmentation results, it is suggested that the Holder Fresh Meat Market target three of the five segments (in bold) as they offer the most significant market potential. The three consumer segments differ considerably in their demographic composition and eating patterns. Therefore, each segment should be targeted separately. Each segments is discussed in detail below:

1. **Main Street Today** represents the largest segment of the population and consist of strong pork supporters. These individuals are generally very price sensitive and cost conscious shoppers. Their purchasing decisions are based on product prices more than product preference. This segment can be generalized as follows:
   - Women (57%)
   - Middle aged with a significant percentage (20%) being 50-59 years of age
   - Lowest income \$31,000 median household income
   - Least educated – less than 10% have college degrees
   - Blue collar occupations
   - 19% widowed/divorced (more than the other five segments)
   - Average household size
   - Most non-white group (29% are African American or Hispanic)
   - Per Capita Consumption is 48.9 lbs annually

This segment is price sensitive and the Fresh Meat Market needs to be positioned as offering fresh quality products at a competitive price.

2. **Quality Carnivores** are males who love family and fine dining restaurants. These individuals are not concerned with nutrition, indulge in food and prefer premium cuts of meat. This segment can be generalized as follows:
   - Males (77%)
   - On average 36 years old
   - Not primary shoppers
   - High incomes (\$48,500 household incomes)
   - Have some college (62%) or a college degree (26%)
   - Married (66%)
   - On average is non-white
   - Smaller households
   - Per Capita Consumption is 17.9 lbs annually

[1] National Pork Producer Council Pork Segmentation Study

The Quality Carnivore segment should be targeted by positioning the Fresh Meat Market as offering "fresh," quality premium cuts of meat. The Quality Carnivores are less price sensitive than the Main Street Today segment and therefore willing to pay more for quality products. So in addition to promoting the Fresh Meat Market's products as "fresh," it will need to emphasize quality rather than price.

12. **Good N' Plenty Guys** is the segment of the population that frequent fast food and take-out restaurants and are meat lovers. They are the second most responsive of the three groups to pork behind the Main Street Today segment. The Good N' Plenty group can be generalized as follows:

- Mainly male
- Young (49% of the segment is under 35 years of age)
- $38,000 median household income
- 45% have some college
- Employed- split between blue and white color
- 61% were married
- Have large households 47% have 4+ family members
- Primarily non-white
- Per Capita Consumption is 24.9 lbs annually

The Good N' Plenty Guys segment could be targeted for selling "fast food" products at lunch and maybe breakfast. To access this market the facility would have to offer breakfast and lunch items (sausage biscuits, ham biscuits, barbeque and/or deli sandwiches) through either a walk-up counter and/or drive-thru window.

In a recent survey published in the June issue of *The Public Pulse*, it was found that price and the restaurant's location, not the food, were the factors that have the most influence on fast food restaurant selection. If the fresh market plans to have a drive-thru window to service lunch and or breakfast customers, these "fast food" location and price concerns should be taken into consideration.

Likelihood of area respondents to patron fresh pork butcher shop:
The following survey information pertaining to area resident's likelihood of visiting a local fresh pork butcher shop.

Likelihood to Shop at Fresh Pork Butcher Shop			
Likelihood	**Area A Percentage**	**Area B Percent**	**Area C Percentage**
5 (Very likely)	26%	**17%**	**49%**
4	17%	**21%**	**14%**
3	18%	**27%**	**17%**
2	25%	**19%**	**5%**

1 (Not at all likely)	10%	**12%**	**7%**
Don't know	4%	**4%**	**8%**

Target Market Conclusion - - There appears to be three very distinctive markets for fresh pork products. However, each group appears to demand different products and services.

Based on the segmentation results and a detailed meeting with another "butcher shop" owner, it appears the Main Street Today segment will be the primary consumer base for the Fresh Meat Market. To target this segment, the Fresh Meat Market should be positioned as providing competitively priced quality products. These consumers are price sensitive and price drives their purchase decisions.

The Quality Carnivore is a good secondary market but should not be counted on to generate sufficient sales to sustain the business.. These consumers value quality meat products and are willing to pay for quality. To appeal to this segment, the Fresh Meat Market needs to satisfy their concern with quality. The products offered by the Fresh Meat Market should be compared to the products available at traditional grocery outlets, in terms of quality and freshness, and their superiority on these issues emphasized.

The Good N' Plenty consumer has numerous fast food restaurant choices available to them and the primary factor in deciding where they eat is location and price not food. This segment of business should be addressed if the business desires to provide fast food meals.

Consumption Trends

Total U.S. consumption of pork has increased significantly from 1965 to 1996 while per capita consumption of pork has decreased slightly over the same time period. Per capita consumption peaked in the early 1970s and bottomed out in 1975. Since the mid 1980s, per capita pork consumption has remained fairly stable.

Potential retail sales for a specific retail operation can be estimated by using a standard formula:

ES= P x EXP x (ADI/MDI) x MS

where

ES= Estimated sales

P= Trade area population (use target market only)

EXP= Average expenditures for retail outlet category

ADI = Area estimated median household disposable income

MDI = Georgia average household disposable income

MS= Estimated market share

Income Information

Disposable household income is calculated by subtracting total household taxes from total household income. For example, Assuming a 28% income tax rate, a total average household income of $31,000, the estimated disposable household income for an is estimated at $22,320 annually. Assume the tax rate is 28% for household incomes less than $50,000 annually and 33% for households with incomes over $50,000. Georgia's medium household income was $42,000 in 2000. If this income is taxed at 28%, their disposable household income is estimated to be roughly $30,240 annually.

Assume that the lower quality cuts are retailing for and average of $1.25 per pound and the premium cuts are retailing for $2.59 per pound.

Market Share Guideline Information:

It is important to determine or to estimate the market share for the proposed facility. The following information provides information as to where area respondents are currently purchasing their fresh pork products. Use this information to estimate the facility's market share.

Store Typically Shopped for Fresh Pork Products		
Store	**Number**	**Percentage**
Kroger	111	40%
Bi-Lo	42	15%
Food Lion	35	13%
Walmart	31	11%
Bates Food	20	7%
Millitary Commissary	6	2%
Save a Lot	5	2%
Foodland	5	2%
Piggley Wiggley	3	1%
Tylers Market	3	1%
Sams	3	1%
Super Markets	2	1%
Grocery	2	1%
* only includes stores mentioned by more than 1 respondent		

Demographic Data

The following table contains demographic information for three different areas. Use this information to determine the most appropriate site for this business.

Miles	Site A	Site B	Site C
Population:	**52,110**	**56,515**	**56,717**
Households:	21,392	20,719	21,057
White Population:	34,671	45,809	31,003
Black Population:	16,527	7,566	24,504
Other Population:	623	1,402	102
Hispanic Population:	1,812	1,738	1,108
Total Population Breakout			
Total Aged 0-5 Years Old:	3,978	5,055	4,292
Total Aged 6-11 Years Old:	4,355	6,225	4,718
Total Aged 12-17 Years Old:	4,567	10,092	4,891
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Total Aged 65-74 Years Old:	4,332	1,984	4,572
Total Aged 75 Years Old and Over	3,962	1,681	3,222
Median Age:	38.4	36.8	38.1
Household Income			
Median Household Income ($):	42,433	40,855	31,330
Households Earning $0-15K:	3,229	6,591	14,179.25
Households Earning $15-25K:	1,886	6,990	8,904.57
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Households Earning $50-75K:	5,340	4,531	9,131.44
Households Earning $75-100K:	6,299	2,353	3,856.76
Households Earning $100K-150K:	3,325	907	2,268.68
Households Earning $150K+:	3,837	535	1,191.06

Client #3 -Fresh milk retail outlet featuring locally produced milk and related products. The operators plan to focus on selling locally produced milk and maybe ice cream in the future. Read the following information to find the information that you will need to determine the market potential for each site, A-C.

<u>Fluid Milk Market</u>

Retail sales of fluid milk increased 1.1% in 1996. This was accomplished through a 0.2% increase in per capita consumption, the largest per capita increase in 10 years. The product sales mix changed slightly. In 1996 whole milk sales increased by 0.5% while 1% milk sales increased 6.4%.

There are several factors that can be attributed to the change in milk sales. One factor pertains to improvement in the product package. The appearance of milk packaging coupled with improved labeling content account for some of the increase in milk sales. Another factor is the growth in the coffee house industry offering specialty coffee beverages. These specialty coffee beverages may contain between 50%-90% milk.. These two factors combined with the milk industry promotion have all contributed to the increase in milk. (Source: *Milk Facts* 1997)

<u>Fluid Milk Market Outlet:</u>

Supermarkets and grocery stores account for roughly 56% of fluid milk sales, average sales price is $2.95/gallon. Dairy/convenience stores accounted for an additional 10% of milk stores, average sales price of $3.25/gallon..

<u>Fluid Milk Consumption Trends:</u>

Per capita consumption of fresh milk has declined from 284.0 pounds in 1966 to 210.0 pounds in 1996. Per Capita whole milk consumption has fallen from 244.4 pounds in 1966 to 72.1 pounds in 1996. During the same period per capita consumption of light and fat-free products has increased from 10.7 pounds in 1966 to 55.7 pounds in 1996. The trend for flavored milk has increased over the same time period but the increase is less climactic (8.8 pound in 1966 to 10.4 pounds in 1996).

<u>Fresh Milk and Cream Consumer profile - Target Market</u>

The following fluid milk customer profile was created using the 1991 Consumer Expenditure Survey data collected by the Bureau of the Census. The information contained in the following table includes plain and flavored fresh milk and cream. The survey respondents keep a two week diary on small frequently purchased products. These figures include expenses for food and beverages, at home and in eating places. The diary approach is intended to capture expenditures that respondents are likely to forget or recall incorrectly over long periods of time. More product specific information was not available. Thus, these results should be used as a generalization of fresh milk and cream consumers.

? The fresh milk consumer is Married, with children between the ages of 6 and 17 years of age, is between 35 and 44 years of age, and has an annual household income in excess of $40,000.
- Milk consumption peaks between the ages of 13-17 years of age (27.9 gallons per capita) and the volume per capita deceased after school years, but stabilizes after the age 35 (between 9.5 and 11.1 gallons per capita).
- On average consumer units/households, spend $129.32 annually on fresh milk products, or $48.80 dollars per capita. This is based on an average household size of 2.65 people.

<u>Market Outlets and Container Type:</u>

- Less than 1% of Milk is “home delivered.”

- 77% of milk is packaged in a plastic container, with the remaining 23% in paper

- The Gallon is the most popular container size with (64%) followed by the half-gallon container (17%) and the half-pint (10%)

Percent of Fluid Milk Sold by Container Sizes, Types and outlets
Federal Order markets

Percent of Fluid Milk Sold by Container Sizes, Types and outlets Federal Order markets										
	Year									
Category	1973	1981	1983	1985	1987	1989	1991	1993	1995*	1996[2]
Distribution method										
Home Delivered	10%	2%	2%	1%	1%	1%	1%	1%	1%	1%
Wholesale	90	98	98	98	98	99	99	99	99	99
Supermarkets	NA	51	50	53	54	54	55	57	57	56
Dairy/Convenience	NA	10	10	9	9	10	10	11	10	10
Military	NA	1	1	1	1	1	1	1	1	1
Schools	NA	7	7	7	7	7	7	7	7	7
Other	NA	30	30	28	27	27	26	23	23	24
Types of Containers										
Glass	4%	1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Paper	71	42	38	34	33	31	28	25	24	23
Plastic	25	57	62	65	67	69	72	75	76	77
Total	100	100	100	100	100	100	100	100	100	100
Percent of Fluid Milk Sold by Container Sizes, Types and outlets Federal Order markets										
Size of Containers										
Gallon	37%	57%	58%	60%	60%	61%	64%	64%	64%	64%
½ gallon	38	24	23	22	21	21	19	19	18	17
Quart	5	5	5	5	5	4	4	4	4	4
Pint	1	1	1	2	2	2	1	1	2	3
½ Pint	10	10	10	9	10	10	9	9	10	10
Bulk- over 5 Qts. [4]	5	3	3	2	2	2	2	2	2	2
Total	100	100	100	100	100	100	100	100	100	100

[1]November is considered representative of the annual average. [2]Estimated by the Milk Industry Foundation. [3] Metal cans and plastic bag-in box containers. * Revised. Source: USDA via International Dairy Foods Association's *Milk Facts*.

Consumption Data: The following table provides consumption fluid milk consumption data.

Estimated Fluid Milk Consumption by Age (Reported in Gallons Per Capita)	
Age Breakout	**Gallons Consumed Per Capita***
Less than 6 yrs.	25.4
6 - 12 years	24.6
13-17 years	27.9
18-34 years	15.0
35-49 years	11.1
50-59 years	10.9
60+ years	9.5
* Age group per capita consumption figures were taken from NFO Research Inc published in the International Dairy Foods Association's *Milk Facts*, 1997	

Income Information

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Market Share Guideline Information:

It is important to determine or to estimate the market share for the proposed facility. There are approximately 13 supermarkets in the area that sell fresh milk. Use this information to estimate what you think could be the facility's market share.

Demographic Data

The following table contains demographic information for three different areas. Use this information in your calculations.

Miles	Site A	Site B	Site C
Population:	**52,110**	**56,515**	**56,717**
Households:	21,392	20,719	21,057
White Population:	34,671	45,809	31,003
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