



Sunsweet Growers: Packaging a Pretty Prune

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Who is Sunsweet?

- ▶ Founded in California in 1917
- ▶ Farmer-owned cooperative association
- ▶ Purpose: process & market the dried fruits and agricultural products produced or delivered by its members
- ▶ Products: premium prunes, juices, specialty fruits



Sunsweet Today

- ▶ Facing shrinking market and market share given decreased consumer demand and an increased number of market players
- ▶ Goal: use advertising and R&D to increase profit margins in a mature industry
- ▶ Questions:
 - What factors influence Sunsweet's ability to sustain returns to their growers?
 - What strategies enable Sunsweet to increase market share?



Industry Assessment

Substitutes

Direct -Other Prunes
Indirect -Other Dried Fruits



Suppliers

Domestic Producers
Foreign Suppliers
Non-member Suppliers
Case of Oversupply



Rivalry

5 Competitors
Others Don't Advertise



Buyers

Retail Grocery Sector
Private Label



Barriers to Entry

Number of Market Players
International Competitors
Size of Crop in California
Size of Market



Cooperative Assessment

STRENGTHS

- Brand Recognition
- Product Quality
- Supply Management and Control
- Domestic Demand
- Patented Technology

WEAKNESSES

- High Domestic Labor Costs
- Upper Management Turnover
- Inability to Capitalize on Big Marketing Schemes

OPPORTUNITIES

- Joint Ventures with Foreign Suppliers
- Greater Brand Differentiation
- Technological Advancements
- Niche Market Expansion

THREATS

- Independent Foreign Suppliers
- Policy Changes
- Domestic Competitors
- Inability to Forecast Changes
- Inability to Match Supply and Demand





Marketing Strategy Evaluation



Key Case Factors

- ▶ Mature Market
- ▶ Differentiated Products
- ▶ International Diversification
- ▶ Capitalization of Cooperative Structure



Strategies for Success

1. Further Branded Product Development
 - Cereal bars, fiber bars, breads
2. Foreign Producer Interest Alignment
 - Align interests of cooperative members and non-members while increasing supply security
3. Innovative Technology
 - Packaging technologies, Value-added processing
4. Targeted advertising
 - Capture specific audiences and diversify product distribution



Strategy Recommendation #1: Further Branded Product Development

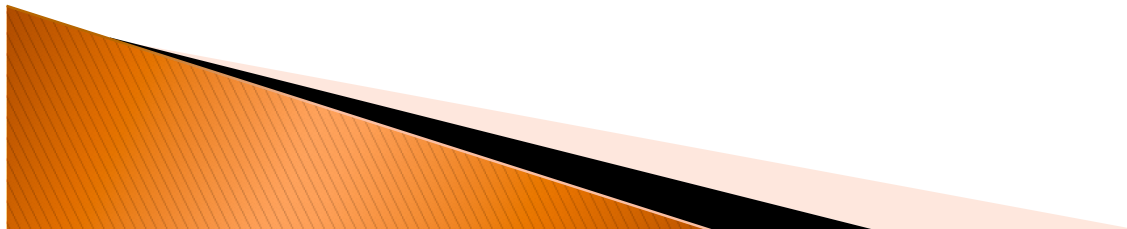
- ▶ Continue success by emphasizing farmer-owned heritage
- ▶ Adventurous mindset
 - Sunsweet Naturals, Sunsweet Fresh, C2O coconut water
- ▶ Opportunities for convenience foods and cobranded products
 - Cereal bars have increased sales by 8.3% in 2010 with nearly \$2 billion in revenue
 - Bread: \$26 billion in the U.S. retail market



Strategy Recommendation #2: Foreign Producer Interest Alignment



- ▶ Buffer year-to-year volatility in supply
- ▶ Create a uniform product despite sourcing location
 - Align foreign producers with Sunsweet practices in an effort to gain them as members of the cooperative in the future
- ▶ Cooperative structure promotes quality standards
 - Increase the quality of Chilean prunes
- ▶ Aided by Sunsweet's investment in technology.
 - Establish patented pitting and packaging machines in Chile



Strategy Recommendation #3: Innovative Technology



- ▶ Current technology led to the development of the widely popular *Ones* and *D'Noir* prune products.
 - Advancements would allow entry to the ingredient market
- ▶ Expand food processing systems
 - Co-packing and trade dress developments allow Sunsweet to utilize packing equipment to a higher degree
- ▶ New frontiers: Creating value
 - Plum ingredients can be used in lower value meat cuts



Strategy Recommendation #4: Targeted Advertising

- ▶ 2011 Budget shrunk to \$18 million from \$26 million in 2010
 - Elasticities: -1.81 (constant own-price), positive advertising
 - Benefit Cost-Ratio: \$1.26
 - Dorfman-Steiner Condition:

	Dorfman-Steiner Optimal	Advertising: Sales
Overall Prunes	4.6%	19.7%
Sunsweet Ones	14.3%	75.5%



- ▶ Women are greatest consumers of dried plums
- ▶ *Ones* are a game-changer, with 1/3 of sales going to consumers aged 25-35
 - How do we continue to reach these people?



Strategy Recommendation #4: Targeting a Younger Audience

- ▶ Recent trends: Support of farm to table items, search for more nutritious foods, convenience foods
- ▶ Increase use of in-store promotion
 - Success in Japan
- ▶ Endorsement Influence
 - Add credibility to the favorable qualities prunes offer
- ▶ Use of Social Media – low cost
 - Great way to push farm to table agenda
 - Customer support
 - Inform users on product launches



Other Considerations

- ▶ A change in the cooperative structure
 - Investor-owned company
 - Capital expenditure opportunities
 - Lilydale example
- ▶ Maintain current operations in Chile
 - Continue processing prunes with generic pitting machines



Recommendation Wrap-Up: Sunsweet's Future



- ▶ Explore cobranding opportunities with development of new products
- ▶ Expand into Chile by aligning growers and gaining new members in the cooperative
- ▶ Implement a sophisticated pitting and packing industry in Chile to capitalize on free trade with EU
- ▶ Focus marketing mix to manage the balance of existing branded products with new product introduction



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Every time the sun rises
so do delicious possibilities.



Sunsweet's Mission

- ▶ Sunsweet Growers is committed to providing naturally powerful foods that are healthy, convenient and nutritious, to help people lead healthier lives

