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

**Suppliers**
- Domestic Producers
- Foreign Suppliers
- Non-member Suppliers
- Case of Oversupply

**Substitutes**
- Direct - Other Prunes
- Indirect - Other Dried Fruits

**Rivalry**
- 5 Competitors
- Others Don’t Advertise

**Barriers to Entry**
- Number of Market Players
- International Competitors
- Size of Crop in California
- Size of Market

**Buyers**
- Retail Grocery Sector
- Private Label
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:

<table>
<thead>
<tr>
<th></th>
<th>Dorfman-Steiner Optimal</th>
<th>Advertising: Sales</th>
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</thead>
<tbody>
<tr>
<td>Overall Prunes</td>
<td>4.6%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Sunsweet Ones</td>
<td>14.3%</td>
<td>75.5%</td>
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- 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
References


References, Continued.

Oklahoma State Thanks You!

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