

Marketing Plan

Valley Food Cooperative

Objectives

The objective of this marketing plan is to identify the marketing strategies that will enable Valley Food Cooperative (VFC) to:

- Best reach the co-op's current target market.
- Expand the current target market to include a wider demographic.
- Increase average daily sales.
- Increase the number of members.
- Educate the public about food production, nutrition, conservation and business practice issues.

Situation Analysis and Preliminary Description of Target Markets

The products VFC sells could be considered basic necessities in the average American household: food, cleaning products, vitamins, beauty and health care products, household items, and clothing.

But this isn't what the co-op really sells. VFC sells values--the ideas and beliefs people hold as special. Every item in the list above (food, cleaning products, vitamins, etc.) could be purchased at other local establishments. People shop at the co-op because they prefer:

- Organic vs. non-organic food products
- Non-GMO vs. GMO food products.
- Sustainable agriculture practices.
- Locally produced items.
- Products with less packaging and more environmental sensitivity.
- Products that support developing economies without adverse impacts upon the cultures and people who produce them.
- Small retailers vs. big box stores and the associated corporate practices.
- Conservation oriented products.
- Co-operative business principles over corporate business principles.

People shop at VFC because they believe in what the store offers. However, most shoppers can supplement purchases made at the co-op with those made at other markets and stores without totally setting aside their values. For example, both Safeway and City Market offer a wide variety of organic produce, dairy products, canned goods and dry goods. Unique gifts are available at many local specialty stores. Household products are available as close as the hardware store in the same shopping center and buying at other small retail operations like Bervigs is consistent with at least some of the values stated above. So, VFC shoppers have choices without compromising values.

Those who patronize VCF do so because they believe the co-op offers superior products, that the co-op business practices are worth supporting, that co-op products are not available elsewhere in the Valley or that the co-op offers a better value on a particular product or range of products. For much of the co-op's target market, values are just as important in purchasing decisions as convenience, product selection, and price. Co-op members may be more likely to base purchasing decisions on the perceived value of the product and not simply on price or purchasing convenience.

There is evidence to support the belief that the co-op may indeed offer higher quality products. A study done by a class at Adams State College suggests that the quality of similar produce items at VCF may be higher than those from other grocers. A chemistry class found fewer non-organic chemical compounds in organic produce from VFC than they did in organic produce from Safeway, City Market and WalMart.

Anecdotal evidence collected from meetings, discussions with other co-op members and co-op staff suggest:

- The current target market sees themselves as more educated when it comes to business practices, economics and the global implications of their actions.
- The target market perceives themselves as more health-conscious and more aware of nutrition and dietary needs.
- The target market sees themselves as more socially conscious and more sensitive to both local farmers and producers in developing nations.
- The target market sees themselves, in many cases as more politically aware.
- The target market perceives themselves as more environmentally conscious.

Shoppers may not relate to every item on the list above. Probably most shoppers would see themselves falling into at least one or two of the categories above.

General Demographics. About 1 percent of Colorado's population lives in the San Luis Valley. In 2005, the population of the entire Valley was estimated at just over 46,000 (Colorado Labor Market Information) and the population of Alamosa, the hometown of VCF, was estimated at about 9,000 (SBDC). Alamosa is home to Adams State College. The town provides a secondary campus for Trinidad State Junior College.

The income levels in the Valley are low. According to the Colorado about \$17,250 and unemployment averages 7 percent for the six county area.

A number of health problems often associated with diet are common in the Valley with diabetes topping the list. Obesity is a concern.

The Valley has a large Hispanic population. Spanish is a main language for a fairly significant portion of the population. Because of the large number of farmers and farming-related jobs, there is a large migrant workforce who travels to the area during harvest season and other important times during the farm season.

The population is dispersed over a large geographic area. The Valley encompasses an area of roughly 8,000 square miles. Alamosa serves as a regional hub, providing shopping opportunities, the largest area hospital, the colleges, and more employment opportunities than are available in other Valley towns. Depending upon their location within the Valley, some residents may find it more convenient to travel to Taos, Santa Fe, Pueblo, Colorado Springs, or Salida for shopping. The market area should include competition in this larger area.

However, most Valley residents visit Alamosa with some frequency. VFC offers convenience that other stores outside the Valley can't match.

Existing 80 Percent Customer. It would be nice to think that everyone is a target customer for VFC. But the reality is, that some people will never want to shop at the store—no matter how effective the store's marketing program. The 80 percent customer is a composite description of the vast majority of shoppers. What do the vast majority of shoppers have in common? Identify this, and you will be able to focus marketing strategies that will best reach this average shopper.

Age,
Sex,
Income level,
Education level
etc.

Desired 80 Percent Customer. Could the co-op better reach its goals if the actual average shopper were different than the current average customer? If so, explain the difference between who shops at the store now, and who the store would prefer to have shopping there.

SWOT Analysis

Strengths

- Convenience. It's easier to shop at VFC than it is to drive to Vitamin Cottage in Pueblo or Cids in Taos or . . . If a shopper believes they can't buy the same product at another local store, and their alternatives are to drive out of the Valley to find an item or to purchase/special order the same item at VFC, all other things being equal (ie. price and quality), they will come to VFC.
- Well-established. VFC has been in business for many years. It's has a reputation as being a well-established business with a commendable track record. It has been in the same location for many years (although that will likely change in the near future). Many people know VFC.
- Cooperative business model. The cooperative business model has very positive connotations to most consumers. A study completed in 2003 (<http://www.coopmonth.coop/primer/perceptions.html>) showed that 68 percent of people believe that a business that has consumers on the board of directors is much more trustworthy. Other study findings support that co-ops are regarded highly by most consumers.
- Quality. VFC offers products that are good. The store is small enough to self-regulate product quality. It's easy to see what sells and what doesn't. Staff make day-to-day purchasing decisions based upon conversations with shoppers and with their own personal observations. If it isn't good in the eyes of the members, the co-op doesn't stock it for long.
- Personal service. It doesn't take too many trips into the store before shoppers recognize familiar faces on the staff. Staff tenure is exceptional. Many of the staff are extremely knowledgeable and have many resources at their fingertips. It's easy for shoppers to become familiar with the store and for staff to become familiar with regular shoppers. There is a "small town, small store" feel that you can't get at many other stores, even in Alamosa.
- Unique. VFC is the only food co-op in the San Luis Valley. There are a few scattered purchasing co-ops or clubs for

some items. There are a few specialty stores like the Crestone Store in Crestone or the Organic Peddler in Del Norte that carry products from the same or similar distributors. But, if you want to shop at a food co-op in the Valley, you only have one choice.

Weaknesses

- Awareness of product range offered or product range available through special order. Even current shoppers may not be aware that they can special order items not regularly stocked. Without browsing through some of the supplier catalogs, it would be difficult for the average shopper to know the extensive variety of products easily available to them.
- Product range. Both the physical size of the store, and the demographics of the Valley make it difficult to carry some specialty products on a regular basis.
- Large geographic distances with a small dispersed population. The Valley is huge. Marketing practices that are effective in Alamosa are not as likely to be effective in Del Norte. It's difficult to pick a single advertising medium that can reach the entire Valley and the comparatively small population in Alamosa necessitates outreach to other communities.
- Limited advertising budget. Because it's a co-op, staff and board members are hesitant to spend significant amounts of member's money on advertising. Budgets are scrutinized to make sure that money is spent wisely. Board members must agree on how to spend money.
- Governance. Directors fill two-year terms. Positions are entirely voluntary. In addition to board meetings, directors are expected to contribute to the co-op in other ways such as participation on committees, volunteering at special events and helping in other ways. There is no compensation for participation other than working membership status (which can be obtained far more easily in other ways!). Consequently, there is a fair amount of turnover on the board. Some directors don't ever spend enough time on the board to learn what they need to know about the business to be totally effective as directors (personal experience—I felt that I couldn't deal with the time commitment just about the time I felt I was starting to catch on to how the business ran). This creates inconsistencies in staff direction and impedes

communication between staff and board.

- Communication. It is difficult to find ways for the staff, the directors, and the members to communicate. The newsletter does provide an effective venue—but it's only published six times a year. White boards and store signs have been utilized to help overcome communication difficulties. However, these aren't effective for members who don't come into the store.
- Impending relocation. For several years VCF has enjoyed a fairly low rent with included utilities. That will likely change soon. The co-op is currently investigating other locations. Not only will the impending relocation create the difficulties that any business would face with relocation (notifying customers, expenses associated with advertising, reprinting existing collateral materials, expenses of a move, etc.) the move has created friction among some of the members and between some directors. It is a contentious issue for some that could cause greater problems for a co-op than a for-profit retail business.

Opportunities

- Population in the Valley is increasing. With a larger population, comes more opportunity for more members and increased sales. Many of the Valley newcomers are used to shopping at specialty stores like VFC.
- VFC has a well-established market niche as an environmentally conscious business. As consumer concern increases over environmental and economic issues, shoppers may see VFC as a viable alternative to other retailers. For example, shoppers who once drove to Pueblo or Taos frequently for shopping, may now look for more local shopping alternatives as a way to reduce using their car. It may be possible to capitalize on the idea that "We are here. Going there is more expensive and more environmentally irresponsible than it used to be."
- Health awareness. People are becoming more aware of health concerns.

Threats

- The Valley is becoming more attractive to big box retailers. Rumor has it that Home Depot is moving in. WalMart is/has added more "organic" selections to their grocery department. Safeway and City Market have expanded their "alternative"

grocery and household inventories.

- Per capita income in America overall is on a decline for middle class and lower class people. As income declines, people become more concerned with price than with quality, convenience, ideals or other traditional co-op strong points. Per capita income in the Valley lags most of the rest of America, so effects here may come faster and harder than in other areas.
- Internal conflict between board members. Real or simply perceived, there is a sense among members that the board isn't all on the same page, singing the same song. That weakens the co-op structure.

Competition

Large grocers

Safeway in Alamosa

City Market

WalMart

Vitamin Cottage in Pueblo, Santa Fe, Colorado Springs

Cids in Taos

Sunshine Market in Albuquerque

Santa Fe Co-op

Santa Fe (formerly Wild Oats)

Mid-sized grocers

Attencios

Jack's Market (La Jara)

Safeway in Monte Vista

Jack's Market (Monte Vista)

Jack's Market (Del Norte)

Skeff's (Monte Vista)

Specialty grocers

Crestone Store

Organic Peddler

Country Health

Simple Foods (Salida)

The Nutrition Connection (Monte Vista)

Household items

Bervigs

Local grocery stores

Ace Hardware

WalMart

It would be appropriate to go through the list above and identify the stores with specific strengths and those that most directly compete with VFC.

Customer Benefits/Positioning

Completing the exercise above will help identify strategies that can better position the co-op's niche. In other words, the co-op has some unique aspects that no one else can compete with. It's business structure may be the foremost of these. Marketing efforts need to build awareness of this uniqueness in the mind of the consumer. Then, to the consumer, there really is no competition.

This section would identify all of the customer benefits the co-op offers. It would talk about how to use these benefits to position the cooperative in terms of advertising.

Good Foods Naturally

The Valley Food Cooperative Niche
VFC offers high quality food and household products produced using sustainable economic and environmental practices.

The Valley Food Cooperative Niche

After all possible consumer benefits are identified, then, narrow down to those that are most unique to VFC. This will define your niche in the marketplace and will provide the impetus for advertising slogans, advertising themes, and advertising venues. It will set the tone of all collateral materials produced/used by VFC. It will set the tone of radio spots, press releases and anything else the co-op puts before the public. This is your baseline, your heartbeat. This is where you are coming from. It needs to be clear and focused and easily understood.

Brainstorm of Marketing Strategies (A laundry list of ideas.)

1. Increase frequency of newsletter.
2. Move the newsletter online or move several issues of the newsletter online.
3. Web page. Expand and really promote the heck out of the web page.
4. Get monthly specials on the web page and make sure people know how to easily find them.
5. Increase radio sponsorship of KRZA .
6. Talk to KRZA about a regular show on nutrition, environment,

- local economics or . . .
7. Run a regular column in the Valley Courier with information on nutrition, etc..
 8. Offer cooking classes.
 9. Utilize door hangers (small flyers with a hook to hang over door knobs to place on doors in target neighborhoods or in dorms or . . .).
 10. Distribute shopping coupons to the hospital diabetes program, hospital nutritionists, local chiropractors, etc. Provide an educational packet about the co-op and its history to the health care provider and ask them to give coupons to their patients who are seeking ways to improve their diet.
 11. Give members who help recruit new members an extra discount. Perhaps something like, any member who gets five new people to sign up for memberships in VFC would get working member status for a year.
 12. Give members who spend more than a threshold amount of money a perk—ie. Spend over \$100 in your shopping trip and get a free carton of yogurt or a free loaf of bread. Or something like that.
 13. Create a punch card system for a discount—sort of like the spend \$50 at Safeway and get a gas discount. Spend more than \$50 on any given shopping trip, get you punch card punched, and when the card is filled up, get a \$10 discount on your next purchase.
 14. Ask current customers to write testimonial about their shopping experience for publication in the newsletter, for posting in the store, or for posting on the web site.
 15. Ask members to help recruit new members.
 16. Have some VFC items made—ie canvas bags with the co-op logo or T-shirts with the co-op logo. Choose items that are likely to be worn or shown in public. Sell them in the store. Or use them as frequent shopper perks. Get the logo out in front of people in the Valley as often as possible.
 17. Offer community talks on relevant topics.
 18. If a good speaker representing the co-op can be found, see if that person would be willing to talk to grade school children or college students about nutrition or other co-op related topics.
 19. Sponsor movie showings at ASC.
 20. Send monthly press releases to the Valley Courier and Valley Publishing. Offer recipes, nutritional information, information about new products, etc.
 21. Hold a contest asking members to provide ideas on how to recruit new members.
 22. Hold a recipe contest.
 23. Ask suppliers what they can do to help market their products better.
 24. Create a short “how to” sheet on special orders. Try to build more awareness of what can be special ordered and how to go about it.
 25. Develop a coop ad program for local producers who sell items at VFC. They contribute either a set fee to participate in the

program, or a percent of their sales from VFC. This money is used to purchase ads that enhance their sales. Ads would use their logos and promote their products under a general theme of buying local makes good sense.

26. Review advertising budget to ensure equal representation in the Valley Courier, Crestone Eagle and Valley Publishing newspapers. Develop similar ads for each so that viewers who look at more than one of these papers sees consistency.
27. Break the year into four key advertising themes. For example, summer ads could emphasize locally grown farm-fresh produce. Fall ads could emphasize whole foods and fresh beans and grains. Winter ads could emphasize holiday foods and gifts. Spring ads could emphasize health and beauty products. Or, rotate sequentially through each type of ad. Design all the ads for the year at one time (even if just content, not the actual ad itself). Stick to this program for a year to assess it's effectiveness.
28. Ask local producers to mention the availability of their products at VFC in any of their advertising.
- 29.
- 30.
- 31.

Implementation Strategy

Based upon goals outlined at the start of this marketing plan, the three key marketing goals are to:

- Increase number of members.
- Increase average sales per member.
- Provide more educational opportunities to local communities.

Now, go through the ideas brainstormed above and divided into categories. For example, Item 13 might best fall into the category of increasing average daily sales.

Increase the number of members.

Initial average sales per member.

Provide more educational opportunities to local communities.

Timeline and Budget

Money and time are always constraining.

A complete list of projects with an anticipated budget (primarily for

printing) follows.

