

GROUP PROPOSAL (also named Engagement Letter)

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So-Cal Beverage Co. is the largest privately owned water bottling company located in Orange County California. They have been in business for the past 20 years but 3 years ago a new owner with a new management team took over the company. Traditionally, their business has concentrated on co-packing water for other organizations. The new management is moving towards marketing in-house products and developed *NEW Cal. Nutritionally Enhanced Water with Calcium* is a growing market with an increasing number of competitors.

1. INTERNAL SWOT ANALYSIS

1.1. Strengths:

- **New Owner with an Experienced Team:** bottling plant efficiency paramount to expansion capabilities.
- **Existing Customer Base:** product line extension through existing clientele is less expensive than acquiring new accounts.
- **Own Trucks for Water Delivery and Bottled-Water Delivery:** flexibility to respond to demand.
- **NEW Cal is Natural:** we are the only one to supply natural water with only calcium.
- **No Bank Debt:** increase capacity to meet profit and develop creative ideas.
- **Location:** access to private Spring and plant position and regulation efficiencies.
- **New Equipment:** buying out competitors' equipment and increased production. Owns 90% of necessary equipment.
- **Niche Player:** strong market share within market, e.g., 100% of Vegas Casinos.
- **Ownership of a Natural Spring in Southern California:** ensures delivery, independence and quality control of Spring water.

1.2. Weaknesses:

- **Expensive Plant Operation:** high initial costs to set up machines for limited product. Solution: maximize full capacity of production by standardization or reduction of seasonality of sales – need calcium all year long.
- **Small Company:** comparatively communication and marketing budget is low. Solution: develop narrow casting communication medium such as local sponsoring.
- **Low Profit:** 100% of revenue is coming from co-packing. Solution: develop own marketing brands.

- **Name may be Ambiguous:** NEW Cal does not clearly identify the product. Solution: bench test the brand name.
- **Weak Sales Force:** no real in-house salesman. Solution: set up one sales rep.
- **Low Brand Awareness:** SoCal or NEW Cal is virtually unknown in a consumer market where brands may be everything. Solution: develop actions to foster brand awareness.
- **Taste Issue:** blind tests show that the lower the calcium the better the taste of NEW Cal. Solution: identify maximum calcium content with acceptable taste.
- **No Marketing or Advertising Budget:** culture of company/owner is to work on a production/product orientation. Solution: develop a market orientation.

2. EXTERNAL SWOT ANALYSIS

2.1. Opportunities:

- **Recommended Intake of Calcium per Day is mostly not met:**

| Age or Lifestyle | Adequate Calcium Intake (mg/day) |
|------------------------|----------------------------------|
| 1-3 yr | 500 |
| 4-8 yr | 800 |
| 9-18 yr | 1300 |
| 19-50 yr | 1000 |
| 50 +yr | 1200 |
| Pregnancy or Lactation | |
| -19 yr | 1300 |
| 19-50 yr | 1000 |

Institute of Medicine, Dietary Reference Intakes, Washington DC, National Academy Press 1997.

- **Schools on the verge of Eliminating Soft Drinks:** due to increase of obesity state law will eliminate soft drinks from campuses.
- **Children and Senior Most Calcium Deficient:** potential introductory target easily reached through school and senior citizen homes. Children need high calcium intake to assist in rapid growth during adolescent years. Senior needs calcium to maintain strong bones and prevent osteoporosis.
- **Minimal Cost Increase to Bottle Calcium Water:** adding calcium to water is operationally easy and not expensive. Finding the correct amount is the difficulty.
- **Growing Popularity of Calcium:** along with other nutritional supplements, calcium is strongly suggested and “fashionable”.
- **Need for Alternative Source of Calcium:** consumers with deficient diets or lactose intolerance in need of options other than mixed powders and tablets, both of which only allow partial absorption of calcium in the body.
- **Over 6 billion dollars in Sales of Water in 2002:** water is growing and differentiation is becoming paramount. Market is increasing by 10% per year.
- **Decreasing Local Competition:** 2 local bottlers have closed their business due to marketing failures.
- **Only 10% of Water Consumers are Loyal:** consumers easily switch from one brand to another.
- **Tap Water Pollution:** general consensus is growing to avoid drinking tap water.

2.2. Threats:

- **Many Alternative Sources of Calcium:** tablets, soy products, yogurt, mixable powders, dairy products. Solution: demonstrate how calcium water is more convenient, inexpensive, and more effective. NEW Cal must differentiate to succeed.
- **Low Brand Loyalty:** consumers with no brand preference may choose what is available, discounted goods, most sold items or most available items. Solution: do not discount or use intense distribution. Segment markets and use niching to increase satisfaction.
- **Business Drop off during Winter Season:** bottled water consumption, in general, slows during colder seasons. Solution: target specifically on the benefit calcium rather than on the need of water.
- **Most Appealing Targets are not 100% Deciders:** kids in schools and seniors in retirement homes have little control on the products they wish to consume. Solution: appeal to school boards, parents, doctors, or caregivers focusing on benefit/cost.

- **Existing Competitors with “Better” Flavors:** water with high calcium content have strong taste. For this reason, all our competitors use flavors, sweeteners and artificial enhancements. Solution: focus on our all natural flavor strength.
- **Four Major Brands are entering the Calcium Water Market:** Arrowhead, Pepsi, Coca-Cola and Crystal Giser are the 4 major players with great competitive positions, ie, greater brand equity. Solution: niche strategy and using their marketing momentum to increase our market share within smaller segments.

3. ISSUE ANALYSIS

3.1. Critical Success Factors:

There are Four factors that need to be undertaken to warranty NEW Cal ‘s success.

1. differentiate from competitors
2. develop awareness of brand.
3. bench test the brand and water taste.
4. keep costs down and stay sensitive to our small target segments

3.2. Strategic Marketing Alternatives:

Market Development: while our competitors are in the introduction stage of the product life cycle we are in the launching stage. The kids and teenagers are our primary target. Then we may introduce the product to other targets such as seniors, athletes, pregnant women.

- **Differentiation:** based on our all natural strength we may anticipate a niche strategy.
- **Market Penetration:** gain brand awareness by slowly increasing the point of sales and decreasing our sale prices.

3.3. Evaluation of Marketing Alternatives:

- **Market Development:**

Pros: segmentation and targeting will prove to be the most cost effective method proposed. Focus on segments most likely to benefit from calcium intake will ensure a more effective marketing return.

Cons: they may need the product but be the least receptive for the product; kids may want more flavor and senior may be not innovative enough.

- **Differentiation:**

Pros: concentrate on the natural quality of the product, use this unique factor to separate from our competitors. This benefit matches a real consumer need.

Cons: it may prove to be a difficult position to hold: entry of new competitors or taste may be too “unique”.

- **Market Penetration:**

Pros: increase our market share by intensifying our production, distribution, reducing our prices, and ultimately advertising more.

Cons: may be too costly and we may be losing our niche position.

3.4. Recommended Strategic Alternatives:

Given the size of our company and the characteristics of the product/market, differentiation and market development seem more appropriate. Targeting few, small concentrated segments, and differentiating NEW Cal from the other available brand by adopting a naturally enhanced calcium water positioning should prove to be effective.

4. MARKETING GOALS & OBJECTIVES

Increase NEW Cal market share by 15% in Southern California over next year.