CONSUMER MARKETING PLAN

Water Development Systems Inc.

H_3O

The evolution of water.

AK/ADMS 4220

Consumer Behaviour

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EXECUTIVE SUMMARY

This marketing plan seeks to create and market a product to consumers. In order to be successful we've focused on understanding our consumer so that our product can be positioned in such a way that it creates strong appeal in our target market. The product we've developed is a water based drink that is fortified with vitamins and minerals. It is a clear drink with no taste and has the consistency of water. It has been position as a refreshing water replacement with health advantages. It is not been positioned to compete with Coke or Pepsi in the soft drink market. First, this marketing plan will look at the current market situation, including: potential consumers and the marketplace. Next, current levels of demand will be discussed. Obviously, if there isn't sufficient demand for our product, then the entire project should be cancelled. Next, we will analyze our competition, looking for size, strategy, market share and many other important factors. This will allow us to properly place our product to maximize market penetration, while minimizing competitor retaliatory moves. Competition will be broken down into four categories, product, price, distribution and promotion. Finally, an environmental assessment has been competed to analyze what is occurring in the world in relation to cultural or societal trend that would affect the appeal of our product. Obviously, trends towards healthier foods are a motivator for this health product. Other factors will include economic factors, such as economic growth and disposable income numbers from our target market. As well, as technological factors and political/legal factors that would influence our plan are looked at.

The next section outlines our recommendations, the way in which we will go at making our product a winner. Firstly, we have drawn up a mission statement to pinpoint the direction out company wants to take. As well, we documented the research we have already completed as well as additional research that will be required to launch the product. In part II, section C; perhaps the most important information will be discussed. Out product strategy, targeting strategy, as well as the way we want to position and differentiate our product will be documented. Then we will look at our actual price and pricing strategy as well as the distribution channel we want to use to get our product into the consumers hand. Next, promotion will be discussed as we look at how to pull our product through to the consumer. Finally, are financial analysis is displayed to show

how our plan is to be financed. We will document exactly how many of our products most be sold for our company to break even.

SITUATIONAL ANALYSIS

Consumers

I am not sure what a situational analysis is, but I am going to be a place holder in for this, that way everything looks good.

Market Place

Same thing here, plus I’m thinking of making the font a little bigger for this thing. If anyone knows what this is then put in some information.

DEMAND

Water in bottles and containers is one of the fastest growing sectors in the food industry. The demand for fortified water dramatically increased since the September 11th attacks the bottled water industry has seen increases in sales. Consumers are more concerned about the vulnerability of municipal water sources and increased incidences of bio terrorism, have been selecting fortified bottled water for safety as well as for emergency supplies. We know that water is next to air the most important substance for human survival. One can live for weeks without food but only a few days without water. The Red Cross recommends one gallon of water per person, per day as a minimum. 20 gallons will provide several weeks of water for one person not including water needed for cleaning, cooking, and sanitation.. Our prospects are highly promising in developing countries and emerging markets with products matching consumer priorities increasingly centered on health, vitality and food safety. The demand for our product (fortified water) varies from different types of consumers. Our consumers are people between the ages of 18 to 30. Due to the vast increase in numerous diseases a lot of health conscious people are drinking fortified water to be healthy and fit. People will drink fortified water because of its improved taste, and that allows them to drink more water. Consumers are also looking for alternatives to soft drinks & shyp and our customers will respond to our fortified water since our product will consists of vitamins that will help our customers be in good health and live longer and healthier. Because of the vitamins being added to our water the demand for fortified bottled water will augment significantly. And our company will be one of the most dynamic and profitable businesses in the industry. Our fortified water will have different types of vitamins already mixed inside the water to increase strengths and become more in good physical shape. Our water bottles will have portable options in convenient sizes for our customers to carry around wherever they are. Consequently this kind of convenience will boost the demand for our product radically. The demand for fortified water is increased also because of the outstanding safety record it hold in comparison to tap water. The Centers for Disease Control & Prevention (CDC) has never confirmed an outbreak in the US of illness or disease linked to bottled water. More recently tap water in Canada was the cause of Crytosporidium outbreak in

North Battleford, Saskatchewan which has caused 46 confirmed cases. An incidence such as this has made consumers more aware about their health and quality of water. Also drinking fortified bottled water has become a trivial habit in many people's lives. We believe that fortified bottle water has certainly enjoyed global popularity and become the beverage of choice in many people's lives. Physicians and nutritionist repeatedly point to the importance of proper hydration for human health. No other fortified beverage does as efficient job of hydration than fortified bottled water. Tap water adds chemicals to make it drinkable, fortified bottled water removes chemicals. Fortified bottled water is free from artificial colors, artificial sweeteners, sugars, caffeine, and calories, which are present in many other beverages. Fortified bottled water is healthy beverage to serve to children, especially in light of the current problems with childhood obesity and hyperactivity. Fortified bottled water is produced without wastage and provides high quality, consistent drinking water whenever and wherever the consumer is thirsty. Also fortified bottled water remains the most efficient means by which to deliver safe, healthful drinking water to the world's population both in terms of reducing waste, and conserving this precious resource. . In our business our competitors for fortified bottled water are Perrier, Evian, and Aquafina. Perrier is the best selling imported sparkling water in the U.S. It is available nationally at grocery stores, convenience stores, and delis and at fine restaurants and bars. Evian is Mecca for the bottled water aficionado. It captures the essence of pristine bottled water sources and combines it with state of the art bottling techniques. Aquafina is currently the best selling bottled water in measured U.S. retail channels (grocery stores, drug stores, mass merchandisers, convenience stores, and gas stations. Aquafina's distribution is superior to the rest of the bottled water industry for on and off premise trades. They have so much volume, so much power and more economies of scale in their system. They have positioning themselves below the top spring water brands and have been extremely successful for around 10 cents less per bottle. However, we also feel that adding vitamins to our water makes our product very different from our competitors and hence the demand for our product will be more compared to them since our focus is mainly health conscious people and in the 21st century the need and the desire to exercise and become strong and healthy is increasing as a lot of young health conscious consumers are moving into the workforce.

COMPETITION

Product

Research has found that there is no product that would serve as a direct competitor for fortified water. There certainly is a great amount of competition from the water industry itself. All are purified, spring water, glacier water etc. but none are fortified with vitamins and minerals in the same way as _________.

There is a great deal of indirect competition. It starts with the water industry itself. There are at least 10 major bottlers that make up 67.3 of the market with all the smaller bottlers making up the remaining 32.7%. Perrier, Pepsi-Cola and Coca-Cola are the most recognizable names of the group of 10. There are over 900 brands that make up the 32.7%[1]

Sports drinks will also provide indirect competition. As our product is marketed to healthy active individuals, our company will run into some competition. The sports drink industry is dominated by to big players. The first being Gatorade that takes up 85% of the market, is now an even tougher competitor since it joined the Pepsi family. Powerade, a product of Coca-Cola, is the next big player in this industry. Powerade has taken steps to start including vitamins B3, B6, and B12 in their products and also produces a 'Light' version with fewer calories than the original.[2]

The last area, which will provide our company with some indirect competition, is the fortified drink industry. These are drinks like orange juice or milk that have vitamins added for health benefits.
Each will provide some competition, but none are exactly like __________. Bottled water lacks the health benefit of added vitamins. The sports drinks are positioned for consumption after physical activity to provide quick re-hydration, and fortified orange juice or milk are principally breakfast items, while water is consumed all day, whether it be on the go, at work or in class.

Price

Prices vary from one industry to another. Bottled water varies from product to product. Products like Aquifina, Dasani or Aberfolye can be purchased individually for around a dollar in convenience store or $1.50 through a vending machine. Perrier is a littler more expensive per bottle, around the $2 mark. These can also be purchased by the case for $5.99-$6.99, where the price per bottle drops considerably.
Sports drinks are more expensive than water on a per bottle basis. A 950 ml bottle of Gatorade is sold for $2.49. Powerade is comparable in price to Gatorade.

Distribution

Water is sold by the bottle through convenience stores or through vending machines placed in office lunchrooms, malls, or universities. The products are widely available and one must not look to hard to purchase a bottle of water. The product itself is usually packaged in a plastic, recyclable bottle with a plastic screw top. Some are packaged with a ‘squirt top’ which limits the flow of water and allows the water to be squirted into the mouth like a sports water bottle. Water of this type is also available by the case in many grocery stores. Bulk buys will translate into cheaper per bottle costs.

Sports drinks are mainly distributed through convenience store in 950 ml bottles with a plastic screw cap, or 710 ml bottles with the squirt top feature. In some grocery stores, Gatorade is available in larger bottle sizes as well as in a powdered form. Fortified drinks are slowly making there way into convenience stores. Met Rx has an agreement in place with 7-11 for distribution of two of its fortified drinks.[3]

Promotion

Promotions among the competitors vary. Fortified drinks will advertise predominately through print ads in health and fitness magazines. Sports drinks advertise heavily on TV. Gatorade spots show people playing sports in black and white while there sweat is coloured the different colours of Gatorade and asks the question, “Is it in you?” Gatorade and Powerade containers can often been seen on televised sports. Each company had deals with major sports leagues to be the sole supplier of sports drinks. This allows each company greater coverage beyond their TV and print ads reaching homes of sometimes millions of viewers during a sporting event.

(don't know what to put for water advertising yet…gimme a few days)

ENVIRONMENTAL CLIMATE

Social and Cultural

An important characteristic that would influence the 'Fortified Water' target market includes the availability of disposable income. The consumer would most likely be in the medium to high-income bracket. These people have enough disposable income to spend on the 'luxury item' of fortified water. As well, the target market would display health conscious attitudes and behaviours. Socially, health awareness has rapidly increased over the last ten years. Increasingly, consumers monitor their nutritional requirements and actually intake; they actually 'care' what they put into their bodies. They seek products that add benefits to their personal health. In addition, these consumers live a fast-paced lifestyle (always on the go), busy with jobs, social events, and families. They will pay to save time. Furthermore, they will not have to worry about buying water and vitamins separately. As well, the water bottles can be taken on the run and drank at the consumer's convenience. As well, the 'fortified water' may fulfill the consumer's need for image and prestige by the fact that they are 'drinking' the latest health drink. It is apparent that there are many attributes that our product encompasses that consumers falling into certainly social and cultural segments would want. Mainly our segmentation involves income. Families with higher than average discretionary income are looking for products with health benefits for all family members, as well as products that maximize time with family and convenience.

Economic

We are looking at selling our "Fortified Water" products at approximately two times the price of the cost of regular spring water. Thus, the disposable income of our target market is a key factor in our success. Our target market is people in the medium to high-income level, who have high discretionary income. Discretionary income is "the disposable income available for spending and saving after an individual has purchased the basic necessities of food, clothing, and shelter."[4] An important economic factor that influences a consumer's purchase decision is their willingness to spend. Willingness to spend is "an inclination to buy because of expected satisfaction from a product, influenced by the ability to buy, and numerous psychological and social forces."[5] As well, purchasing "Fortified Water" saves the consumer the cost of purchasing and storing vitamins. This way well our primary target market is consumers that do not care much about savings, we can skim some sales from segments where income is lower while health awareness remains high. Some of the consumers that fall into these segments we believe that the product attribute of "a greater health benefit" and a possible savings over the purchase of spring water and vitamins, will out weight the initial purchase price of our product. Well the past two paragraphs have spoken to our product and pricing strategy, the key point to due with economics is that income and discretionary income are on the rise. Note the rise in income in families with two or more people since 1995. The income level of two parent families with children is up 10 percent in the last four years (income adjusted for inflation)[6]. Keep in mind that these are also Canadian averages. The mid to upper level income earning family has increased their income at an even faster pace than the Canadian average (See Appendix 4).

In particular to the bottled water industry, bottled water is a 35 billion dollar global industry. U.S. sales were up 9.3 percent to 5.7 billion. The Canadian bottled water industry is only about a tenth of the U.S. industry; however, it is growing as well. Bottled water is the fastest growing beverage industry and it is expected to grow at a rate of 15 percent per year over the next 5 years. In 2000, fruit beverage volume grew 1.4%, beer 0.8%, carbonated soft drinks 0.5%, and bottled water 9.9%.[7] Obviously, the bottled water industry is not a mature industry (possibly near mature), now is a good time to get in and enjoy annual increases in demand of 15 percent (forecasted) (See Appendix 5).

The economic environment also deals with competitor's prices and substitution costs. Substitution products includes products such as spring water, which is half the price of "Fortified Water", sports drinks, which are similar in price to "fortified water", vitamins, which the price can vary by brand or retailer.

In addition, it is important to identify the general economic condition of Canada. Over the period between early 2000 and late 2001, the world has endured either a near recession or recession economic climate. However, presently, Canada is beginning to experience an economic recovery. A recovery period is “a stage of the business cycle when the economy is moving from recession toward prosperity.”[8] However, Canada differs from this definition because it never actually hit a period of recession (as did the United States) but did experience a period of weakness from which it is now recovering. Key Canadian economic data (GDP, unemployment) have shown improvement since late 2001 and into early 2002 (See Appendix 5 also Appendix 6).

Technological

Our “Fortified Water” product uses technological advances that enable the fortification of water. This involves the ability to add nutrients and minerals to spring water, which enhance the overall health benefits associated to spring water. This technology allows our “Fortified Water” product to act as a vitamin supplement or replacement. Other technological factors could relate to a competitor’s technology, whereas, they don’t add as many (or add more) of the nutrients or minerals to their products. Clearly, this technology is not so leading edge that the time, and capital requirements would be too high for our company to cope with. Several other companies are currently using similar processes to position spring water with other substances in several different markets. Thus, the technology is available and although there are some capital requirements, value added to the products can be translated into a large margin at the retail level.

Political and Legal

Political and legal factors that encompass the “Fortified Water” industry are controlled by Government Regulation. In Canada, these regulatory acts include the Food and Drugs Act, which is a major federal law that can affect marketing decisions and the Competition Act which is a “Federal legislation that addresses business practices relating to restraint of trade, controlling mergers, pricing, promotion, product representations, and selling techniques.”[9] Currently, the Food and Drugs act does not cover many herbal/non-medical product categories. However, since we have chosen to use multi-vitamins as our additive, our product should fall into the medical supplement category. In this category, regulations are stringent; however, the expertise needed to develop and manufacture products that meet with Government regulations is available.

PART TWO: RECOMMENDATIONS

Mission Statement

Water Development Systems (DWS) delivery a premium, high quality spring water drink with the added health benefit of being fortified with vitamins and minerals, to consumers that demand high quality, value added water products, over discount based bulk brands.

The Rational Behind our Mission Statement

The mission statement was developed to be a tight and direct statement of our company's goals and beliefs about our consumer, our product, and why our consumer would want our product.

MARKET RESEARCH - CUSTOMER

Our aim is to be the most effective high value added, consumer-focused water portal in Canada. Our company is set to radically change the consumer's perception of the beverage industry. The aim of Water Development Systems (WDS) is to bring the highest quality bottled water and the most comprehensive health and water research to consumers via our fortified water. Our aim is to focus on customers between the ages of 25 to 35 who are more conscious about their health and well being. Another focus deals with customers within family units. We've targeted families as a key segmentation factor. However, whether customers in the age bracket (25-35) are single or in a family, they are not more cautious about what kind of water they drink and are less likely to drink products such as soft drinks that consist of artificial coloring and flavors. They also would not drink products such as Pepsi and Coke sine these types of drinks consist of caffeine and caffeine can be very addictive and hazardous to people's health. Consumers are also concerned about tap water safety. This fact and the fact the people are looking for substitutes for soft drink and other beverages is the reason the over 80 percent of person give when asked why they choose bottled water (See Appendix 7). Consumers are more concerned about factors such as nutrition and vitamins a drink holds because customers at this age are more anxious and determined to take care of their health physically and mentally. So our fortified water which consists of vitamins will provide this unique service compared to other soft drink and mineral water companies. Beyond the sheer convenience of making bottled water available 24 hours a day, seven days a week, from any of our distribution outlets (See distribution section for further information), we want to engage our customers and offer them the richest experience possible.

We want our customers and family members to develop good water-drinking habits by helping to make pure vitamins water accessible, convenient and fun. Dedication to fulfilling our customers' health and lifestyle needs is paramount to all of us here at WDS.

The WDS Good Health Advisory Board, which includes esteemed pediatricians, nutritionists, diet experts and dentists, all of whom focus on issues surrounding hydration and health. We are available to answer our customer's questions 24 hours a day regarding our product and see how beneficial it is to our customers for their health. By combining our expertise in the purest water products and their distribution, our commitment to excellent customer service and the convenience of our health awareness communication we will be able to deliver a uniquely comprehensive shopping and informational experience to our customers about our water. Today many medical stores in the city are doing very well with the sale of branded bottled water and since our fortified water is very unique in the market our water will play an impression in out customer's minds. Our customers will also be of all races. As was put starkly in *American Demographics* recently, Black, Asian, and Hispanic households are more likely than whites to use bottled water, even though blacks and Hispanics as a group have lower-than-average household incomes. Hence by this statement we can conclude that our customers are not only whites but rather people of all races who are health conscious. As well, this is interesting because it gives us access to other segments of the market. If lower income consumers are still willing to play a premium for value added water products, then we can steal market share from the bulk discount water brands. While it appears that many consumers who turn to bottled water do so out of concern about the safety of their tap water, some also have switched to bottled water because they are turned off by tap water's taste and odor and are more conscious about their health and safety. So when our customers who are between the ages 25 to 35 will choose our bottled water because not only does it have vitamins in the water but our water is a refreshment beverage which will be viewed as a light, clear, caffeine, salt, and sweetener free and healthful alternative to soft drinks like Coke and Pepsi.

We are also focusing on a family segment as stated early in the research section. Family values and beliefs about health and safety and even stronger than individual beliefs (See Appendix 9). As indicate in the study, "Family and Individual attitudes towards Health and Safety", people are not only willing to spend more to get products that deliver health advantages, but they are more willing to do it for their family.

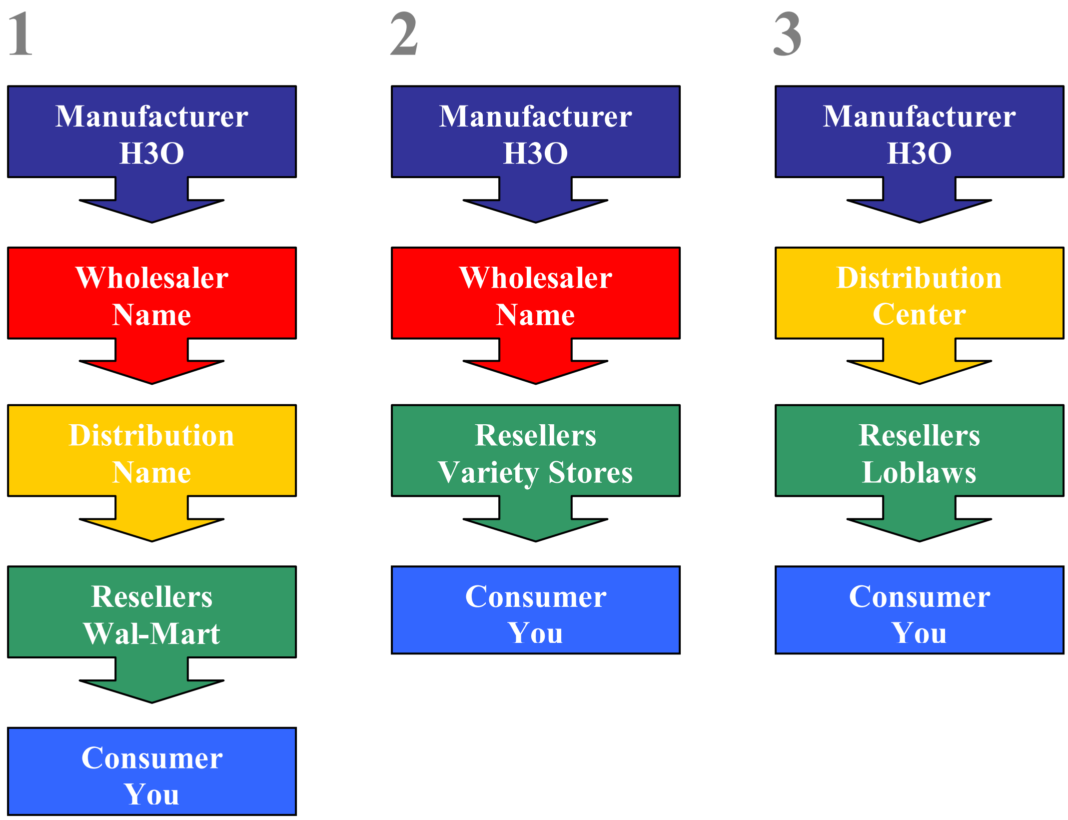
PRODUCT

PRICE

DISTRIBUTION

Channel Description Model

H3O's Distribution Channels



This channel diagram is also available as Appendix 10 in the Appendix at the end of the report.

Overview of Distribution

H3O uses the following distribution channels to meet the needs of our buyers. We adopt the distribution channel that will best fits their needs, and continually monitor and assess the effectiveness of each of these channels in an effort to monitor costs and provide a savings to our customers. The following is a closer look at each of the three distribution channels that H3O currently uses:

Distribution Channel 1

The first distribution channel that is shown, in Figure 1, is one that H3O is forced to use with larger resellers, such as Wal-Mart, who have implemented Just-In-Time (JIT) Delivery systems, and/or who demand total control of the distribution channel. In this distribution channel H3O first sells our water to a Wholesaler that is specified, and arranged, by the reseller. The wholesaler then distributes the water, through a distributor that is also specified by the reseller, to the reseller. This gives companies such as Wal-Mart total control over the entire distribution channel, and allows them to monitor their deliveries from start to finish, as well as lower inventory costs by ensuring that deliveries arrive only when the product is needed. This distribution method is the least preferred by H3O, because it offers the lowest control for the manufacturer, and offers no way to track the progress of the shipment. However, H3O is forced to use this distribution method in order to gain access to large resellers such as Wal-Mart.

Distribution Channel 2

The second distribution channel that is shown, in Figure 1, is one that H3O uses to get its product to their medium to small volume resellers, such as local 7-11 and variety stores. Because the order size from these customers is much smaller, and the number of stores is much larger, H3O is forced to sell our water to a wholesaler of our choice, who then sells our product to these resellers. This is much more economical for H3O than trying to distribute our product directly to all of these resellers, and still allows H3O to maintain some control over the distribution channel. With this distribution method the most important part of the channel is wholesaler/reseller relations, and because H3O chooses the wholesaler, we have the option of replacing that wholesaler if these relations come into conflict. This method proves to be the most economically and logistically feasible when dealing with these medium to small volume resellers.

Distribution Channel 3

The third and final distribution channel that H3O uses, as shown in Figure 1, is a direct delivery method, whereby H3O, through one of our Distribution Centers, delivers our water product directly to large resellers such as the major grocery store chains, like Loblaws. The advantage to this is that H3O has total control over the distribution channel, and therefore can establish relations with the resellers, monitor delivery of our products from beginning to end, and monitor and control costs of delivery. This is the preferred method of distribution, and H3O uses this wherever it is available to us, and feasible to use. To accomplish this H3O has 2 main distribution centers in Canada. The first is our primary distribution center, and is located in Toronto, Ontario. This distribution center services all of the locations in Central and Eastern Canada where our product is sold. Our second distribution center is located in Alberta, and services all of the locations in Western Canada where our product is sold. By having two separate distribution centers we can reduce delivery times, delivery costs, and establish closer relations with our resellers by having a distribution center within closer proximity to them.

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