SALES/MARKETING

Sales/Marketing at NB was the last phase of the business cycle to develop, yet in the course of a few years NB went from a start-up bakery with only a handful of accounts to being the premier whole grain bakery in the Twin Cities. This development can be traced through four distinct phases: (1) the 'traditional' market; (2) expansion of our market to include retail/institutional accounts; (3) establishing our territory in the institutional marketplace; and (4) consolidation of the expanding retail market.

NB arose out of the Twin Cities Co-op Movement. In particular NB arose out of the struggles within this movement to change the class base/bias of this movement. Hence, the bakery's original market was, dominately, the consumer food co-ops. Due to the intense nature of the struggle within the co-op movement at that time (1976-1978), only a few of the co-ops would do business with both of the "whole grain" bakeries that existed in the Twin Cities at that time, and NB's market was limited primarily to the St. Paul Co-ops and a few of the Mpls Co-ops that were sympathetic to NB's viewpoint. Retail sales out of the storefront were also a key income generator. The product line was expanded during this period to include a wide variety of pastries and white flour products, for both political and economic reasons.

During this early period, there was no marketing strategy or sales staff. The market was pretty well confined to the co-ops and retail sales, and at this time the Co-ops demanded little in terms of packaging or promotional sophistication. However, even at this early date it was clear that the co-ops represented a "shrinking market and that steps would have to be taken to expand our wholesale customer base to insure the bakery's survival. Likewise, the storefront, while generating a large share of the bakery's income, was not a profitable operation because of the competitive and labor-intensive nature of the product line.

In 1977 the first step toward expansion was taken when the Nutrition World chain of health food stores was secured as an account. This chain soon became our largest account. The next 3 years would see expansion into a variety of new markets including the large grocery chains, health care institutions, and food service accounts. At this time the Strategic Aim of our marketing practice was formulated: to commercialize legitimate whole grain baked goods. Despite the various turns in our sales/marketing efforts, it will be seen that this aim continued to guide our practice on a general level for the next six years.

It was a long process to develop the internal systems necessary to acquire a foothold in these new markets. First, management had to allocate the human resources to mount a sales campaign. Second, an understanding of what features NB would try to display in the marketplace was needed. Third, sales tools (literature, audio-visual aids, etc.) were needed to get these features across to potential customers. Initially, the 'Sales Dept.' was handled on a part-time basis by NB management. Usually this meant scheduling sales calls around full-time jobs and/or production responsibilities at the bakery. It became clear early on that the feature NB had to project was the nutritional quality of the product. This feature - "the nutritional difference" - spoke to an increased awareness of good nutrition in the general public. At first, the literature tended to mis-direct the focus, giving the impression of a small, old-fashioned operation. With time, however, the literature became more sophisticated, including an educational slideshow aimed at institutional customers that focused on the difference between NB's products and other so-called "whole grain" products. It was clear even at this stage that to compete in the marketplace with producers who had far greater resources to put into marketing efforts we had to have a clear thrust. This thrust was our focus on education in all of our materials. The only way to compete with the price-cutters and pseudo-health breads was to educate our potential customers about the "nutritional difference".

Although the first institutional customers (1980) were an indirect result of the new sales effort (we had not approached them directly), the fact that they sought us out is an example of conditioning the market such that we had established a name in the health-conscious community. Reflecting the objective growth of the whole foods market, NB was contacted by the food service that represented one of the most exclusive prep schools in the Twin Cities and a large independent nursing home. These were the first institutional accounts for NB. Institutions eventually became the dominant aspect of our customer base. At the same time, contacts were established with the local chain groceries and NB's product began to appear regularly at the more "upscale" stores. A particularity that allowed NB to differentiate itself in a very competitive retail bread market was to establish the product as a specialty item to be displayed in the deli section rather that the bread section of grocery stores. During this period there was a consistent problem of holding on to accounts once they were acquired. Problems with meeting production and service requirements were slow to be resolved. These new customers demanded a qualitatively different standard of service than the old co-op market. In addition, there was a limited understanding of the volatility of the consumer market. Sales at the chains would typically rise quickly, peak, and then start to fall just as rapidly as customers tired of the products or tried other offerings. Since these grocery accounts were all strictly on a consignment basis,large losses were taken even when delivery levels were high.

In 1981 an effort was made to expand into the retail market again, specifically to increase cash flow through storefront sales. Again, lack of experience in retail marketing resulted in only limited success, with business quickly falling off. As the storefront operation drew less and less customers, product quality declined (few fresh items were served, selection was poor) and the storefront took on the appearance of a failing operation. An attempt to resurrect the storefront by focusing on a new market (deli-type service) also failed to draw new cust-omers. In the end, the dying retail trade on University Ave. and the inability of the bakery to make the internal adjustments necessary to run a successful retail operation required that the storefront be closed and converted back to production space at a large cost to the business.

During 1982-83 there were qualitative changes in the marketing effort. On the one hand the traditional markets, co-ops and health food stores, were feeling the effects of the recession and increased competition from 'warehouse' type groceries. On the other hand, the public's consciousness of the value of good nutrition (and the corporate advertizing focus on "fitness" and dieting) made itself felt in the institutional market to a greater degree. This period marked the transition of NB to a supplier of institutional accounts. This transition necessitated a critical evaluation of the entire business. Cost of production analysis was completed - unprofitable accounts (those requiring special services or long credit terms) and unprofitable products (those requiring special ingredients, excessive handling or low volume) were eliminated.

Internally, a number of changes took place to support this transition. For the first time a full-time sales/marketing effort was established. The sales department focused on both the development of new accounts and servicing current accounts. Manual and computer systems were developed to support the sales effort. The manual administration included the development of a Customer Handbook, New Account Start Kits (which controlled all aspects of the sales interface with other departments) and weekly sales reports. ICAP, a sales/marketing program was used to track prospects and results of mailing campaigns. A customer service person was added to deal with immediate problems and work with the customer to resolve ordering or other difficulties. "Blueprints" were developed to define particular service needs for each account. Service standards were established to further proceduralize the delivery and customer service functions. These standards served as a means for evaluating our performance.

A marketing department was organized to coordinate sales efforts. The marketing department had six areas - market research, product development, forecasting, pricing, advertizing and promotions. In line with NB's strategic marketing objectives we learned to market a program as well as a product. Specific marketing programs were developed for different types of accounts (food service, hospitals, nursing homes, vending, retail and schools). Each program involved a set of sales incentives (volume discounts, introductory offers and specials) and materials to aid the customer in promoting our products (educational brochures, table tents, point-of-sale displays and serving suggestions). These incentives were critical in allowing NB to 'get its foot in the door'.

As NB entered new markets, market research gained importance. Research information was gathered on competitors, customers and products. This information aided NB in evaluating product mix, market share, price increases and service standards.

The first attempts at direct mail advertizing were tried in the form of new product announcements and special offers ("Whole Wheat Hamburger Bun" campaign, Muffin specials). Mailing lists were obtained and entered on ICAP. While never producing much direct revenue due to problems in targeting a correct audience, these mailings did serve to spread NB's reputation as a legitimate competitor in the whole foods marketplace. The product and the name had become well known and generally respected in the Twin Cities area.

This period was one of dramatic growth. Monthly sales doubled and income reached an all-time high. However, forces were already rising which would cut sharply into NB's ability to maintain a quality base of institutional accounts. Externally, the recession was leading to a massive shake-out in the institutional market. Many local operations were being absorbed by institutional consortiums that maintained strict purchasing control. Even those institutions that remained independent were under budget constraints that made NB's more expensive product line harder to justify. Local competitors actively undercut NB's efforts in these new markets by underbidding or spreading rumors concerning our finances and service standards.

Internally, systems hadn't developed to the point where standards of production and service could be consistently maintained. Quality control systems were just starting to be implemented and inadequate attention had been given to resolving problems in the product line area (NB was just beginning to investigate the use of chemicals and preservatives to improve consistentcy and eliminate molding problems). The integration of sales and production administration was inadequately developed. The Master Schedule was just beginning to be used and sales was not sufficiently accountable or experienced in forcasting advance requirements. This often led to problems such as excessive shift length and inadequate equipment capacities . The focus of sales was on increasing volume without understanding if these new accounts could be profitably serviced. This led to several unprofitable relationships with customers that typically dropped service soon after starting. This meant large losses in administrative, sales, and production efforts.

As the institutional thrust lost momentum, efforts were made to readjust the sales effort. Attention was given to split the product line based on the market - sell institutional products in high volume at reduced cost and sell specialty products at high markups. To meet the market requirements, delivery costs would have to be reduced or eliminated. Attention was given to establishing relationships with large distributors and vending companies. Considerable interest existed in muffins and individually packaged products, but NB would have to move to a new level in packaging, advertizing and production automation.

Efforts were also made to establish and exploit political contacts to obtain bids from government agencies. NB featured itself as a women-owned business in order to be considered for minority set-aside programs. Although some contacts were developed, the "commitment" by the SBA (Small Business Administration), government contractors and private colleges to help women-owned businesses turned out to be fairly transparent, given the political climate at the time. NB learned that to be successful in the bid process a company had to have contacts at the bidding agency so that their product specifications could be written into the bid. In this way a contract award was assured.

During this period (1983-1985) steps were undertaken to bring the production and service aspects under control. Ordering procedures were simplified and regular contact by phone and mail kept the bakery more in contact with its customer base. Sales administration was further proceduralized with the introduction of telemarketing methods and the development of product sample kits which could be delivered by a delivery service direct to prospective accounts. Phone followup could then be made to schedule sales appointments. This method effectively reduced the amount of sales labor required to obtain accounts. The Master Schedule was completely implemented which aided in accurate scheduling of ingredients and equipment purchases. The Cost of Production was further implemented in costing new products and projecting profit margins at different volumes of business.

Extensive market research was conducted into the baking industry to more precisely determine which market segments could be effectively penetrated with the minimal expenditure of resources. Research results showed that specialty products with increased nutritional value was a new and expanding market. To aid in the long-term marketing effort, nurses and dieticians were contacted to participate on the Nutritional Advisory Board. The Board's function was to oversee the nutritional quality of new products developed and provide educational materials to build the marketing thrust. NB realigned its product mix to meet the new objective requirements of a specialty vendor.

The product line was made more consistent through the establishment of a New Product Development Department which researched products and developed them to meet known market needs. Scientific methods replaced personal methods as NB moved to a new level of production control. Study was done of optimization techniques and product prototyping. Multiple regression analysis was used to identify acceptable product parameters and scientific testing techinques were introduced. A sensory panel to test new products using objective criteria (rather than subjective responses) gave written feedback to the development personnel so formulas could be refined before products hit the marketplace. For the first time, new products were brought out in a timely manner and became immediate best-sellers. New products such as "Super-Grain" Buns, 7-Grain Dinner Rolls and variety Muffins came the bakery's largest sellers and most profitable items.

A new phenomena in the large grocery stores, the "boutique" whole foods area, opened up the opportunity for a new relationship with the retail chains. On a non-consignment basis these whole food accounts became the largest source of income for NB by 1985. Rapid growth was enhanced by a better understanding of how to use product specials and other incentives to increase sales. In-store samplings served to increase sales, and more importantly, expose our product line to a much wider audience and introduce new products with a "splash". The key to the successes the second time around with these retail accounts was to establish mutually beneficical relationships with the management of the stores. NB's products were clearly an excellent companion to the rest of their product line. By working together on sampling and specials, NB was able to dramatically increase its sales of these products and draw more customers to the health food areas of these stores.

The significance of the new product lines and the tactical exploitation of the retail market was that NB was in the process of attaining a new level of operation: going from a "product-driven" environment to a "market-driven" environment. The essence of succeeding in this market-driven environment is to correctly determine a market need and move quickly to seize the initiative. By analyzing the market and developing a product to specifications designed for that market we were able to introduce our most popular, and most profitable items. The key element was being flexible enough to respond quickly to changing conditions; to have the systems in place to strike quickly when the opportunity presented itself, as with the Muffins or "Super Grain" Buns.