

“STRATEGIC BUSINESS PLAN FOR THE LAUNCH OF FRUIT DRINKS – FAUJI FOODS COMPANY”

NAME: AHMED NADEEM

ENROLLMENT: 03-122182-001

NAME: UMER ASLAM

ENROLLMENT: 03-122182-009

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BAHRIA UNIVERSITY, LAHORE CAMPUS

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**PRINCIPAL SUPERVISOR
DR. SAIF-UL-HAQ (ASSISTANT PROFESSOR)**

SUBMISSION FORM OF PROJECT

Candidates' Names:

We, Ahmed Nadeem and Umer Aslam have submitted the project for examination for the degree of MBA (Marketing).

Project Titled: Strategic Business Plan For The Launch Of Fruit Drinks – Fauji Foods Limited

Candidate Signature: _____

Date: _____

Certificate of Principal Supervisor

I, Dr. Saif-ur-Haq being the Principal Supervisor for the above student, certify that project is in a form suitable for examination and the candidate has perused his course in accordance with the Rules of the University.

Signature: _____

Date: _____

Recommendation of Examination

I recommend that the Project be examined.

Principal Supervisor: _____

Date: _____

Co-Supervisor: _____

Date: _____

Not Recommendation of Examination

I recommend that the Project may not be examined.

Principal Supervisor: _____

Date: _____

Co-Supervisor: _____

Date: _____

Statement by the Head Faculty/Department

I support the submission of the Project of the above-named students for examination under the University Rules for higher degrees.

Signature: _____

Date: _____

BAHRIA UNIVERSITY, LAHORE
APPROVAL SHEET SUBMISSION FOR HIGHER DEGREE
PROJECT

CANDIDATE NAME : AHMED NADEEM, UMER ASLAM

DISCIPLINE : MBA (MARKETING)

DEPARTMENT : MANAGEMENT SCIENCES

I hereby certify that the above candidate's work, including the project, has been completed to my satisfaction and that the project is in a format and of an editorial standard recognized by the faculty/department as appropriate for examination.

Signature: _____



Principal Supervisor: Dr. Saif-Ul-Haq

Dated: _____

03-09-2020

The undersigned certify that a pre-completion seminar, and overview and major findings of the project, and the work is of a standard and extent appropriate for submission.

I have checked the candidate's project and its scope, format: editorial standards are recognized by the faculty/department as appropriate.

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Dated: _____

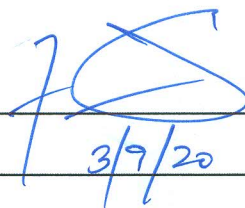

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III. EXECUTIVE SUMMARY

This project is about launch of fruit drink in Pakistan market which is recognized as JNSD category (Juices, Nectar and still drinks). This industry is one of the growing industries on high pace with Compound Annual Growth Rate (CAGR) of 15% growing annually and current market of JNSD category is 900 million liters out of which 800 million liters belongs to still drink category. There is a brief summary of Pakistan economy which covers macro analysis of the country like GDP growth rate, country foreign reserves, population growth, inflation rate, per capita income, foreign investments, agriculture plan and Pakistan stock exchange emergence. The Company has started its operations in 1966 and incorporated as public limited company and principally engaged in dairy products and its portfolio.

Pakistan economy has the continuous growth in real DGP which is growing at approx. 5.8 %. The country foreign reserves exceed 21 billion US \$. The current government has focused approach on energy sector to overcome the shortages which was hampering the economic growth. It also revived the confidence of foreign investors and relief package of farmers announced around Rs. 341 Billion to raise agricultural industry. Three stock exchanges have been merged as Pakistan Stock Exchange for betterment of equity trading. Pakistan population growth is at 2.04% (2019) which is higher amongst the neighboring countries. The per capita income is living standard of people has also increased.

Fauji Foods Limited (Formerly Noon Pakistan Limited) was incorporated in Pakistan on 26 September, 1966 as a Public Limited Company and its shares are quoted on Pakistan Stock Exchange Limited.

Fauji Foods Limited (FFL) is principally affianced in processing and sale of numerous dairy products with the different brand names like Dostea and Nurpur etc. The organization is an associate of Fauji Group of Companies and is being supervised and overseen by exceptionally qualified, experienced, specialized and business proficient chiefs and senior administrators. The Head Office of the Company is located at Fauji Foods Limited, 42 CCA, Ex Park View, DHA Phase – VIII, Lahore, Punjab and the Plant is located at Bhalwal, District Sargodha.

FFL is committed to put forth manageable efforts towards ideal use of its resources for the most ideal outcomes not for exclusively to defend the interests of its partners yet in addition to satisfy our commitment to serve the Network and to turn into a main food organization in Pakistan keeping up the quality standards.

FFL endures to be at the lead of quality products. It has accomplished market leadership in several food classes with an extremely solid portfolio comprising of Butter, Cheese, UHT milk, HCLF (high calcium and low fat), Pasteurized milk, Tea whitener, Flavored milk, Desi ghee and Cream.

This project has been completed in five different stages. In the first phase we did research by using different research methods of survey research, in depth interviews and focused group techniques. We also looked into company data and reports, industry publications, research reports by Tetrapak ("Report 2019 Tetrapack,") and AC Nielson ("Nielson-consumer ") to establish a match between consumer expectations and position the new brand. A strategic framework was proposed with recommendation strategies across function of product placement, channels, trade coverage, product, pricing, brand activation and promotion strategy coupled with operations, logistics and warehousing strategy and human resource strategy. Finally, the detailed action plan of recommendation and 5 years plan which has been covered in financials for IRR of the project, NPV of the project, projected profit and loss statement, projected balance sheet and free cash flows.

1 COMPANY INTRODUCTION

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2 PROJECT OBJECTIVE (PROBLEM DEFINITION)

“To identify customer needs and preferences of packed juice drinks to help Fauji Foods Limited for achieving its business objective to launch and attain market share in fruit drink segment.”

3 PROJECT SCOPE

The scope of the project was comprised of following activities:

1. Marketing Strategy:

- a. Detailed analysis and recommendation for product development, branding, packaging, pricing, placement, promotion, people, process, physical environment was done after market survey and consumer need assessment.
- b. Channel development work and classification of outlets on the basis of quality and sales volume was established.
- c. Established integrated marketing communication mix strategy to create product pull in market and establish top of mind awareness, consideration to buy, trial, repeat purchase and establish brand loyalty in the sub-category of fruit drinks.

2. Financial Strategy:

- a. Devised a strategy for breakeven analysis, five-year sales projections of cash flows, capital expenditure and operational expense required and IRR for the project.
- b. Calculated the IRR, analyze risk and 5 years plan.

3. Human Resource Strategy:

- a. SOPS's were established for resource selection, trainings, rewards, clear job description, career progression, exit policy and to identify job roles and reporting within organization as per the cultural values and norms within business unit.

4. Operational Strategy:

- a. FFL operational strategy comprise of operations to focus on cost, quality, customers services. Scope of operation was defined for in house tasks and outsourced assignment.
- b. Proper implementation of manufacturing process and quality assurance procedures to achieve on time delivery, customization and volumes.
- c. Proposed vertical integration and technology needed along with workforce requirement and organization information and control systems.

3.1 Project Activities

The project activities will be comprised of:

1. Study of Pakistan Economy and fast-moving consumer goods industry in Pakistan
2. Establishing Fauji Foods business model in the category of JNSD (Juices, Nector & Still Drinks) framework through primary research
3. Conduct consumer research (questionnaire and focus group based) through snow ball technique to assess the consumer needs, target segment identification and identify attributes considered in the fruit drinks category.
4. Recommend changes required for Fauji Foods Limited in order to achieve its plan for juices and nectars launch.
5. Propose strategic business framework to position the new fruit drink brand into target market by devising product, pricing, and placement and promotion strategy.
6. Recommendation for action plans on the basis of devised strategies across key functions of operations, logistics, distribution and supply chain.
7. 5 Year financial model to establish how the proposed strategic model will be able to deliver on to the value of increasing market share and drive business growth of Fauji Foods in the category of fruit juices.

3.2 Target Audience, Sample Size & Geographic Scope

- Primary Research by conducting management interviews with 7 department heads at FFL
- 3 industry experts' interviews to establish the positioning and identify the gaps with FFL existing strategic framework and brand positioning
- 2 focus groups were conducted for assessing the need fulfillment and consumer attributes and requirements for the new fruit drink and establish the match between consumer preferences and brand positioning
- Market Consumer survey with sample size of 120 respondents with the ratio of 60 males and females aged between 25 to 45 years and 60 young boys and girls aged between 15 to 24 years residing in Lahore and Islamabad belonging to socio economic class SEC A+, A & B.
- Secondary research provided by U&A study by AMRB ("ARMB 2019,"), Tetra Pack Research ("Tetrapack-juice and drinks,"), and AC Neilson Research Pakistan Handbook & Retail Audit ("Neilson Report,") along with company provided data by brand team at FFL.

4 PROJECT METHODOLOGY

The project has been conducted in six phases:

4.1 Phase -1 Industry Analysis

We conducted research on Pakistan economy, consumer goods industry dynamics, emerging trends in JNSD category and industry players by interviewing industry experts, studying Tetrapak research ("Report Tetra-Pack 2017,"), studying AMRB research reports, collaborating with AC Neilson research teams, Tetrapak proposal for JNSD to Fauji Foods Limited, and interviews with channel partners.

4.2 Phase 2: Consumer Buying Behavior & Preferences Research

In order to conduct primary research, we selected random sample of some respondents from Lahore and Islamabad who were within age bracket of 15 to 45 years with help of Fauji Food teams. Before developing questionnaire, we had discussions with industry experts, channel partners and informal interviews with consumers regarding preferences and buying behavior for fruit drinks. In consultation with AC Neilson research, we devise a questionnaire. We tested questionnaire with selected respondents orally in order to check reliability and validity of questionnaire outcome.

4.3 Phase 3: FAUJI FOODS Management Interviews

Since, top management at Fauji Foods Limited has vast experience in fast moving consumer goods industry. We had useful insights of not only overall FMCG industry but also, we gain insights of JNSD category. Referrals given by management also helped us to conduct interview with other industry players in JNSD category.

4.4 Phase 4: Positioning & Drivers of Strategic Pillars

In order to define strategic frame work, we identified following pillars which were important to launch fruit drink.

1. Target Market
2. Value proposition and positioning statement
3. Product
4. Price
5. Place
6. Promotion

7. People

4.5 Phase 5: Action Plans & Financial Model

Action plans were given in the light of findings gathered through primary research, secondary research, industry experts' interviews and focus groups discussions. By following the strategic framework devised in phase 4, we analyzed those findings in the light of literature review and consumer survey. On the basis of forecasted sales volumes and company provided data regarding raw material cost, CAPEX and other financial information, we developed Pro forma Income statement, calculated free cash flows and proposed NPV and IRR of the project.

4.6 Phase 6: Project Delivery & Presentation

The recommendations established in phase 5 were documented in formal report with the help of project supervisor along with brand team at FFL.

5 INDUSTRY ANALYSIS

5.1 Pakistan Liquid Consumption Market

According to Tetrapak research, ("Report 2019 Tetrapack,") 44 billion liters are consumed annually in Pakistan, out of which only 1.76 billion liters of juices, nectars and still drinks are consumed in Pakistan as given in Exhibit 1.

5.2 Packed Juices Market Size Estimation & Industry Players

The current juice market of Pakistan is 900 million liters out of which 800 million liters is for still drink category. The CAGR i.e. Cumulative Annual Growth Rate of juice industry is approx. 15% annually which is reasonably good and lot of potential exist due to emerging trend of health consciousness. Still drinks market is basically driven through whole sale channel majorly. Juice industry is price sensitive and variable based on sugar, concentrate, petrol prices and processing cost etc. It is basically a flavored driven industry where people used to have for thirst quenching, energy booster and health etc. Juices are mainly lying in three categories for 100% juices, Nectar drinks and still drinks. The flavor wise share for leading contributors and price segmentation as below along with share of SKU (stock keeping unit) wise Tetrapak research ("Report Tetra-Pack 2016,") Currently 90% market is for still drinks and 10% for nectars with highest

consumable SKU is 250ml having 50% share and rest for 200ml and 1000ml are 34% and 16% respectively. If we compare analysis of price segments share, the highest percentage is 60% for price range Rs. 15 - 25 along with highest consumable flavor of mango 39% Tetra Pack Research("Report 2018 Tetra-Pack,") as given in Exhibit 2.

Branded packaged fruit juices category in Pakistan includes 100% juice from concentrate, nectars, which are made from 25%-99% fruit juice concentrate and still drinks, which are made from less than 25% juice concentrate with additives (mostly flavor, water, sugar; sometimes fruit pulp or sacs). In addition to these, vitamin blocks, fruit pulp and other fortifications are also used to add more health benefits and variety to the juices.

Top players in branded packaged juices category in Pakistan are Nestle, Shezan, Slice Popular, Fruitein and Tops in their respective markets as given in Exhibit 3. Shezan and Nestle are the two main players in the nectar category, with almost 84% market share (AMRB/Tetrapak Market Research). Nesfruta and Shezan are the two main players in the still drink category with combined share of 47%, followed by low quality still drink's that are mostly made from fruit flavors/essence, sugar and water.

5.3 Emerging Trends in Fruit Juice Consumption

Based on the industry experts' interviews and U&A study by AMRB research on consumer behavior, following are the key findings with respect to emerging trends in fruit juice consumption that will be shaping the landscape of the industry:

1. Growing apprehensions over obesity levels and an increased general awareness of health and wellbeing have had a dramatic effect on the soft drinks market.
2. Consumers are increasingly switching from carbonated soft drinks to drinks with more natural ingredients and lower sugar levels.
3. Breakfast and lunch substitutes offer the greatest potential for convenience positioned fruit juice products, particularly smoothies.
4. Parents concerned about childhood obesity are increasingly seeking out healthy juice options for their children. As a result, there are a growing number of healthy kid- targeted juice products being brought to market.
5. The market for natural product juices has grown as consumers progressively believe that their health can be influenced through the products they consume.

6. Natural, pure and additive free is a major movement within the fruit juices market for both kids and adults alike. In fact, natural, pure and additive free is increasingly a baseline requirement of 'healthy' fruit juice offers because of consumer demand for healthy products which are transparent in terms of their ingredients and their health credentials.

5.4 SWOT Analysis

STRENGTH	WEAKNESS
▪ Highly-diversified company operating in many different markets and sectors ▪ The variety of brands gives Fauji a strong ability to weather economics because it serves many different segments of the market. ▪ It has well-established relationships with other powerful brands, including Coca-Cola, Colgate Palmolive ▪ It has strong research and development capabilities that are growing. ▪ Strong relationships with retailers. ▪ It includes well-established brands with a large amount of market share ▪ Updated technology plant ▪ Quality product ▪ Specialists available for specialized jobs and tasks ▪ Hire experienced staff ▪ Made in Pakistan ▪ Targeted to low- and middle-class ▪ Reasonable price	▪ New in juice industry ▪ Competition is tough ▪ Market Share is low ▪ Limited experience of customer ▪ Much of its sales depend upon a few well-recognized brands. This makes the company vulnerable to any sudden changes in consumer behavior. ▪ Some of its brands are not tailored to modern lifestyles and are seen as old-fashioned by some customers. ▪ The company is dependent upon advertising to shape consumer opinion and drive traditional sales. This can lead to high marketing costs with a questionable return on investment. ▪ There is a high cost for launching new brands to supplement older.
OPPORTUNITIES	THREATS
▪ Acquiring the newer technology and techniques ▪ Market is very big and attractive ▪ Growth in online retail could open up new distribution channels such as Amazon Prime that can bypass traditional retailers. ▪ Growing middle classes in nations such as China and India create larger and broader markets products.	▪ Political instability ▪ New entrance from the competitors ▪ So many competitors ▪ Retaining consumers ▪ Economic instability ▪ Instable inflation ▪ Cost of plant ▪ There is pressure from large retailers to cut prices. ▪ The growing use of new retail channels such as Amazon Prime

▪ Changes in lifestyle, such as longer work hours, more women in the workforce, and more single-person households, increase the demand for prepackaged foods. ▪ Increased interest in health and nutrition could increase demand for some Fauji products.	and dollar stores may not favor traditional retail products. ▪ There is a growing ineffectiveness of traditional advertising as new technologies such as streaming video supplant traditional broadcast and print media. ▪ Consumers in some countries are eating fewer meals at home, which means less demand for some Fauji products.
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Regardless of the threats, Fauji Foods despite everything claims probably the best-perceived and one of the beneficial food brands. Tragically, it faces a drastically changing staple market in which customary brands are losing quite a bit of their viability. Such brands are vigorously reliant upon conventional publicizing and showcasing techniques, for example, TV ads, which are regularly incapable in this day and age. Changing patterns of consumer behavior, such as the demand for more natural food and increased spending on take-out and restaurant food, could be a greater threat to Fauji. It might have to create products or revamp brands simply to maintain market share.

5.5 PESTLE Analysis

The main theme of PEST analysis is to measure market potential and situation by indicating growth or decline. PEST analysis can be used for marketing, business development and decision making. PEST analysis encourages proactive thinking rather than relying on habitual or instinctive reactions.

P	E	S	T	E	L
- Government policy - Political stability - Corruption - Foreign trade policy - Tax policy - Labour law - Trade restrictions	- Economic growth - Exchange rates - Interest rates - Inflation rates - Disposable income - Unemployment rates	- Population growth rate - Age distribution - Career attitudes - Safety emphasis - Health consciousness - Lifestyle attitudes - Cultural barriers	- Technology incentives - Level of innovation - Automation - R&D activity - Technological change - Technological awareness	- Weather - Climate - Environmental policies - Climate change - Pressures from NGO's	- Discrimination laws - Antitrust laws - Employment laws - Consumer protection laws - Copyright and patent laws - Health and safety laws

POLITICAL	ECONOMICAL
• Changing regulation surrounding food standards and marketing actions. • Government stability in new emerging economies • Changing global regulations – standardized practice yet adaptation to different political forces	• Awareness and knowledge of changing inflation, economic growth rates and income levels. • Changing consumer budgets, rise of the cost-conscious consumer. • Rising price of raw material goods in relation to the need to source from sustainable suppliers
SOCIAL	TECHNOLOGICAL
• Changing consumer attitudes – move towards healthier products in line with government initiatives • Changing lifestyle – return back to home cooking and the promotion of family time in a world of convenience. • The need to adapt to different cultural settings i.e. language, religious beliefs and family settings. • Understanding of consumer behaviour is crucial to ensuring a personal approach to marketing.	• Rise of social media, consumers interacting with firms and being able to do so across a range of platforms • Innovation fuelled by technological developments. • E-commerce as a platform for development • The introduction of IT technology in the market has created new approach among the people and social media has contributed in the awareness of the people.
LEGAL	ENVIRONMENTAL
▪ Changing nature of regulation. ▪ Need to adhere to global regulations and changes across different international markets ▪ Fauji has to face the labor laws and it has to fixed the minimum wages of the labor under the provision of these laws ▪ The hiring and promotion laws are to be followed and the people are being privileged to get the facilities, which are the asset of the company.	▪ Increased attention directed towards corporate social responsibility ▪ Environmental concerns from consumers including concerns over packaging/recycling ▪ Change in weather can affect the supply of FMCG products ▪ The consumers have some concerns over the packaging of the products and they need to make them more protected so that the products can have longer effects for the users.

6 CONSUMER BEHAVIOR ATTRIBUTES & DECISION DRIVERS

6.1 Primary Research Findings

We conducted interviews in order to get firsthand information regarding fruit drink consumers. Our research was based on following model of 5 W models for customer analysis as given in Exhibit 4. The results are given in Appendix 1 Primary Research Findings.

The key findings are as given below:

1. 20% respondents preferred carbonated drinks while 31% of respondents preferred packed juice drinks.
2. Strawberry is the most preferred flavor among fruit drink consumer which is demanded by them and it is not available right now. Tamarind and Kiwi are also liked

by most of fruit drink consumers yet they are not produced/manufacture in Pakistan but are being imported from China and Middle East and is readily available in big stores like Al-Fateh, Metro, Carrefour, Euro Store etc.

3. Packed fruit drink is consumed on daily and bi weekly basis as per respondents of survey. Fruit drinks are mainly consumed at “Education al institutes” as youth has limited budget to spend and prefer lighter drinks. 40%.
4. “On the go” consumption of fruit drink has high probability of 16%.
5. 44% of respondents preferred 250 ml, out of which, 68% respondents preferred price of Rs. 25 to Rs. 30 per pack.
6. Nestle Nesfruta has strong recall and consumption among respondents (46%).
7. Tetra packaging has significant preference (64%) over any other packaging among all respondents.
8. Mango, Apple and Orange are mostly consumed and preferred flavors.
9. “Thirst quenching” followed by “Taste” were two most important fulfillment attribute for a fruit drink consumer.
10. Visual appeal & Taste of fruit drink are two most liked attribute for packed fruit drink consumer.

6.2 Secondary Research Findings

The stratification of the juice’s category into nectars, still drinks and 100% juices only prevails at manufacturer end as most of the Pakistani consumers are not able to differentiate between the health benefits/nutritional value of juices, nectars and still drinks. Also, category usage is also occasion based or used infrequently. It is perceived as healthy and nutritious but not essential. Purchase is done mostly on the basis of traditional flavors, thus not ready for exotic flavors however experimentation between brands was seen among majority of consumers. The details are given in Appendix 2. The key findings are given below:

1. New entrants in JNSD during 2005-2019 have been increasing their overall volumes. Entry of players offering value added still drinks (VASD) and Juices/Nectars (JN) is on the rise, leading to high value of category.

2. There are a lot of products in the market led by small local and regional players, with strongholds in different regions. Thus, creating a space for a strong national player.
3. 100% Juices and Nectars holds a 10-12% volume share while Still Drinks (SD) has the most dominant share of around 90-88% (Tetrapak report 2016). Prior to the launch of products in the JNSD category (juices nectars and still drinks), FFL needs to arrive upon a comprehensive strategy for market entry.
4. According to Tetrapak research 2016 ("Report Tetra-Pack 2016,"), given in Exhibit 5, following are key take outs:
 - a. 57% of the consumers do planned purchase for fruit drink, while 47% of consumers do impulse research.
 - b. 63% of consumers buy fruit drink on the go, while 37% buy it from an outlet to be consumed at home.
 - c. Mango is the most dominating flavour among fruit drink consumers.
 - d. Factors impacting purchase of Branded Packaged Fruit Juices includes flavours, quality and the brand. Further health/ nutrition and freshness also seen to be key considerations for purchase.
 - e. Purchase of Branded Packaged Fruit Juices is mainly by self however females seen to be sending someone else to purchase the type of Branded Packaged Fruit Juices that they have decided upon. Even in case of decision females seen to be mainly taking a shared decision.
 - f. Branded Packaged Fruit Juices seen to be mainly a planned top up purchase with mainly Tetra packs seen to be purchased.
 - g. Mid-day seen to be the main day part where Branded Packaged Fruit juices are consumed and it is consumed between meals.
 - h. Consumption of Branded Fruit Juices lone with accompaniments mainly with family members. Youngsters however seen to prefer to have it with friends.
 - i. The decision on the type of the fruit juice is made prior to go to the shop, with the purchase mainly being a top-up.

- j. Tetra-packs seen to be the main SKU of purchase across Branded Packaged Fruit Juices with the exception of Minute Maid Pulpy purchased in PET bottles.
- k. 100% Pure Juice / Nectars seen to be mainly consumed in-home with still drinks / floats consumed mainly out-of-home.
- l. Higher recall for Nestle was found in Islamabad/Rawalpindi and upmarket segment
- m. Shezan with all its variants garners second highest recall with Shezan juice packs leading the market mainly in Lahore.

7 PROPOSED STRATEGIC FRAMEWORK

In order to devise a business plan, we defined a strategic framework given in Exhibit 6, which will help us to identify our target market, for which we will position our brand. Positioning established clear direction about 4P's and human resource strategy.

7.1 Target Market

- **Demographics:** 76% of fruit drink consumers are from age bracket of 15 to 25 years, who earn or spend 20K to 30K per month. These customer like sweetness in a drink and like challenges and excitement in daily life routine as defined by the consumer survey
- **Scope:** The scope of project is Karachi, Lahore and Islamabad Market. Karachi, Lahore and Islamabad market have 58% of population within socio economic class of A, B and C and 74% of the population is within age bracket of 5 to 50 years as defined by Pakistan Handbook & Retail Audit
- **Core Market:** Total core market size is 12 million.

7.2 Positioning

In order to position the new brand, we did the following:

1. Analysis of competitor's value proposition

By identifying target market and its preferences, we can position our brand according to needs of our consumer. First, we need to identify need state of consumer and

product's attributes to position our brand. According to the research conducted by A.C Neilson, sweetness and flavor are two key attributes for a fruit drink consumer as given in the exhibit 7.

2. Establish our value proposition

On the basis of identified market segment, brand perception by consumers as given in Appendix 3 Perceptual Mapping & Exhibit 10 - 11, we have analyzed that top selling brand like Nesfruta and Shezan are offering value propositions which are as follows:

Nesfruta: Nesfruta is the most exiting brand among fruit drinks because it is tastier and cooler.

Shezan: Shezan fruit drink is the tastiest brand among all fruit drinks, because it is full of flavor of fresh fruits

So, we incorporated all findings through primary and secondary research, analyzed them in context of value proposition offered by competitors and came up with following proposed value proposition for Fauji Foods Limited fruit drink: *"Offers the best thirst quenching fruit drink with natural flavors and sweetness couple with latest Prisma packaging, aspire to be available in every channel with support of strong marketing collateral".*

3. Perceptual Mapping To Establish Our Positioning Statement On The Basis Of Value Proposition

The results in Appendix 3 Perceptual Mapping & Exhibit 10 & 11 have shown that on the basis of quality, taste, price and pack sizes customers perceive Fruita vitals as high quality and high tasting product. While in fruit drink category, all brands are perceived as medium quality products. Almost, all Fruit drink brands are rich in taste. Secondly, fruit drink brands with pack size 200ml are perceived to be at price point of Rs.15 to Rs.20 per pack with an exception of Fruitein Joy, which is selling at Rs. 25 per pack due to quality and taste as perceived by consumers.

4. Positioning Statement

We studied about competitor's positioning by analyzing their marketing campaigns and analyzed that they are focusing on product attributes as well as need state

attribute which are excitement, joy, taste and flavor. Following were positioning statement by Nesfruta and Shezan.

Nesfruta: *Nesfruta is the most exiting brand among fruit drinks because it is tastier and cooler.*

Shezan: *Shezan fruit drink is the tastiest brand among all fruit drinks, because it is full of flavor of fresh fruits.*

By creating value proposition of our product, we defined positioning statement as follows:

“Our brand is a great tasting thirst quencher among all fruit drinks, because it is enriched with natural flavors and sweetness”.

5. Conduct Survey For Concept Testing On The Basis Of Positioning Statement

Earlier, we categorize our research into qualitative and quantitative approaches. Quantitative research phase follows measuring consumer’s reaction to a proposed product or multiple dimensions, e.g. likelihood of purchase, perceived importance of a product and perceived quality of product. While qualitative phase produces both sales volume forecast and diagnostic information to guide the positioning in the market place. It is referred as “Concept Testing”.

Concept testing has different types on the basis of following consideration.

1. Concept communication method
2. Measurement of consumer response

Tone was factual and mode of communication was “words” only in our survey. See Exhibit 8 for different types of concept testing.

After carefully selecting communication method in consultation with brand team, we determined the type of data, which was intended to forecast sales volumes. Typically, the data fall into four classes, which are as follows:

- Intended buying measures
- Overall product diagnostics
- Special attributes diagnostics
- Respondent profiling variables

In order to forecast sales volume, we selected in consultation with brand team "*Intended purchase measures*", because buying measures cover buying intention and projected frequency. Based on the findings given by brand team with reference of AC Nielson report ("Nielson- consumer "), we did concept testing on the basis of product description and value proposition mentioned earlier. Concept was tested on five-point scale, which is as given below:

- Definitely would buy
- Probably would buy
- Might or might not buy
- Probably would not buy
- Definitely would not buy

Of all the data, PI score is the heart of a concept test. As per the research by Taylor, Houlihan and Gabriel (1975), "*a concept statement should receive 80% to 90% favorable answers ("definitely will buy and probably will buy").*"

6. PI Score Through Concept Testing

According to survey, 52% of the respondents said, "They would definitely buy the product" on the basis of positioning statement mentioned earlier which matched the findings as suggested by AC Nielson report ("Nielson- consumer ") with Purchase Intent of 50-55%.

In reference to our primary survey, we found that fruit drinks are consumed on daily or bi weekly basis. Based on this finding, we calculated sales volume, through adoption process estimation.

7. Adoption Process

For consumer packed drink, the industry rule-of-thumb-is that the "top-box" is a virtuous indicator of the likely trial rate. Using top-box rule, 18% trial would be expected*(Source: HBR reading: Concept Testing).

Since, top of the box for tested concept as per our research was 52%, we can safely say that *18% of our customers were actually going to purchase our product.*

8. Expected Sales Volume:

We used 3 approaches to forecast sales volume on the basis of following factors:

a) Per capita consumption as per secondary research

- As per secondary research provided by Tetra pack report, average packed juice consumption per capita/annum is 24 liters as mentioned in Appendix 2.
- **Calculated Total Potential:**

$$12,000,000 * 24 / 365 = 7,890,410 \text{ Liters per day.}$$

b) Actual purchase on the basis of purchase intent findings

- Total potential market: 12 Million consumers
- Actual purchase as per PI score given by secondary research of A.C. Neilson of 18%
- **Calculated Expected Sales Volume:**

$$12,000,000 * 18 \% / (30 * 5) = 14,400 \text{ Liters per day.}$$

c) Concept of early adopters as per Markstat simulation

- Rule of thumb: 2.5% of total population is early adopters, which lasts for 3 months.
- **Calculated Expected Sales Volume:**

$$12,000,000 * 2.5 \% * 24 / 365 = 19,726 \text{ Liters per day.}$$

7.3 Channel & Distribution

According to primary research and industry experts interview given in Appendix 1, following channels were identified for distribution of fruit drinks.

- Grocery stores
- International chain of accounts (Metro, Hyper star)
- Local modern trade (Al Fatah, Jalal sons, Imtiaz)
- HELT Channel (Health, Education, Leisure and travel)
- Convenience store

After identifying channels, we further looked into logistics and supply chain model of Fauji Foods Limited. Findings were as follows:

FFL warehouse	• Situated at Bhalwal • Storage Capacity: 2,800,000 Liters
Distributor	• No. of General Trade Distributor: 14 • Total No. Of vans:105 • Load Out capacity: 105,000 LPD • No. Of foods services distributor: 5 • Total No. Of vans: 6 • Load out capacity: 6000 LPD
Numeric coverage/Distribution	• Grocery Stores: 11,675 • Convenience Stores: 50 • ICA: 11 • Key Accounts: 169 • Food Services: 95

For numeric coverage, following findings were important in order to devise placement strategy.

- **Total capacity to deliver: 111 vans*1000 liters/van= 111,000 LPD**
- **Current load out capacity: 50,000 LPD**
- **Spare capacity: 61,000 LPD**

Upon further analysis, we found following logistics, supply chain and trade coverage strategies adopted by Fauji Foods Limited:

1. Logistics Strategy

FFL has 5 logistics partners. There are 4 dedicated and 20 open source vehicles which can carry load of 200,000 liters daily.

2. Warehousing strategy

There are 2 satellite warehouses located in Islamabad and Karachi, which serves as hub for KPK, Sindh and Baluchistan. Combined capacity of both warehouses is 1,000,000 Liters.

3. Trade Coverage

There are 12,000 handlers of FFL including Key Accounts, ICA, and General Trade, Food services in Karachi, Lahore and Islamabad. Out of 12,000 handlers, there are 1200-1500 outlets which belong to A and B category outlets.

7.4 People

Human resource department at Fauji Foods Limited has different department like Training and development, compensation and benefits and recruitment. In the year 2019, Human resource department has started a campaign for “Team building” through which it has conducted training programs for each employee to enhance his/her capabilities. Recruitment is usually done by departmental heads rather than Human capital department.

With reference to project, the current structure of employees for sales team at Karachi Lahore and Islamabad, is as given below:

- No. Of Regional Managers for Karachi, Lahore and Islamabad: 03
- No. Of Area Managers for Karachi, Lahore and Islamabad (GT+ food services):
09+03=12
- No. Of Territory Managers for Karachi, Lahore and Islamabad (GT+ food services): 27+08=35
- Key Accounts and ICA Team: 1 Area manager and 7 Territory managers.

8 RECOMMENDATIONS / STRATEGIC ACTION PLANS

Our recommendations are based on strategic framework which we discussed earlier. The details are as follows:

8.1 Target Market:

On the basis of our primary, secondary research and industry experts' interviews, we would recommend target market as follows:

1. Socio Economic Class: A, B and C
2. Age Group: 15 years to 50 Years
3. Geography: Karachi, Lahore, Islamabad

4. Target Market size: 12 Million
5. Expected Volumes: 14,400 Liters per day

8.2 Marketing Strategy:

For devising marketing strategy, we would recommend following product, pricing, placement and promotion strategy:

8.2.1 Product Strategy:

For product strategy, we would recommend following:

- 6 exciting flavors
 - Mango
 - Apple
 - Mix fruit
 - Kiwi
 - Tamarind
 - Strawberry
- Store Keeping Units: $200\text{ml} \times 24 = 4.8$ Liters
- “PRISMA” Packaging by Tetrapak.

8.2.2 Pricing Strategy:

- As per Tetrapak survey, 59% of fruit drink consumer pay between Rs. 15 to Rs. 20 per pack. Fauji Foods Limited should price at Rs. 20/Pack for base flavors like mango, apple and mix fruit.
- For value added flavors like tamarind, kiwi and strawberry, Fauji Foods Limited must charge at Rs. 25/pack as consumers are paying for competitor's brand.

8.2.3 Placement Strategy:

- By leveraging existing channel of distribution, fruit drinks will be placed at every channel. Total: 1200 Outlets

8.2.4 Promotion Strategy:

In order to devise promotion strategy, we studied consumer purchase funnel as given in Exhibit 9 below.

8.2.4.1 Promotion strategy-Awareness and consideration:

In order to create awareness and consideration among consumers, we would recommend to do thematic campaign which will cover following medium of communication.

1. Digital Marketing

- a. Facebook “Boost” will be used as viral marketing tool during peak hours of 1 pm to 4 pm and 6pm to 12 midnight.
- b. Social media sites (Including sports and news websites) and search engine “Google” will be used during peak hours to promote our brand.
- c. You tube ads will be used for initial 3 months.
- d. Cost of digital marketing is “\$1000/week”.

2. Transit Media

- a. Annual agreement with Public transport like LTC in Lahore.
- b. Total 20 buses for LTC will be branded for 3 months and cost of agreement will be Rs. 7,000,000.

3. Out of Home communication

- a. Total of 15 locations will be selected in SEC A and B for one month.
- b. Total Cost for Billboards/Hoardings will be Rs. 12,000,000.

8.2.4.2 Promotion strategy-Trial and repeat purchase

1. BTL communication

- a. Brand Ambassador will be appointed at key accounts and promotional activity at POP.
- b. Brand Ambassadors will be appointed for 3 months and total cost will be Rs. 27,000,000.

2. Mall Activation & Wet Sampling

- a. Mall Activation and wet sampling will be done for initial 3 months in order to create an awareness and trial of product.
- b. Estimated cost will be Rs. 10,000,000.

8.2.4.3 Promotion strategy- POP (Point Of Purchase) activation

1. K/A rentals

- a. Top 100 volume-based shops will be selected for preferred share through annual agreement.

b. Estimated cost of these agreements will be Rs. 12,000,000.

2. TPOSM

a. POS Material like wobblers, mobile and leaflets will be placed at 1200 outlets.

All these POSMs are deployed on POP or POS.

b. Estimated cost will be Rs. 1,000,000.

3. Shop Fascia

a. Shop fascia will be placed on selected outlets for one year in order to generate awareness at POP.

b. Estimated cost will be Rs. 1,500,000.

8.2.4.4 Promotion strategy: Engagement campaign

1. Cinema tickets on the purchase of 3 packs through lucky draw.

2. Sports Celebrity endorsement.

3. CSR campaigns by collaborating with TCF foundation.

1. On purchase of every pack, donate Re. 1 to TCF

8.3 Operations Strategy

Since, 56% of consumers prefer Tetrapak packaging and in order to penetrate into market, FFL should introduce new technology of “PRISMA” packaging, for which new machine has to be purchased from Tetrapak. The details are given in Appendix 4 & Exhibit 12.

- Machine specification:

- Prisma 125ml / 200ml / 250ml
- Cost 1.4 Million \$
- 2 Months pack matt
- Safety stock 1 month

- Production Plant Details and Process Flow:

In order to cover the operational strategy, detailed sessions were conducted with plant team. The machine details are as given below:

Plant Name: Tetra A3 Flex, Compaq

Key Features:

- Automated material supply and uninterrupted supply.
- Maintain aseptic environment in an economic way.

- Sterilization of safer packaging material
- To reduce wastages and packaging is synchronized
- Enabling operators to work efficiently and swiftly
- Automation of production data performance analysis.
- More reliable production due to integration of filling machine.
- Quick switch of two packaging within same production along with maintaining sterile conditions.

8.4 Logistics, Warehousing & Trade Coverage Strategy

1. Logistics Strategy

- a. Since, forecast volumes are 14,000 Liters per day. There is an ample capacity available within existing logistics capacity. FFL should leverage it.

2. Warehousing strategy

- a. Since expiry date of fruit drinks is 4 months and it can be kept within temperature of 30 degrees, satellite warehouse can also hold/store required stock for respective regions in order to handle any immediate demand.
- b. FFL should maintain inventory at both warehouses for minimum 7 days.

3. Trade Coverage strategy

- a) In order to ensure product availability, underutilized vans would be dedicated for fruit drink placement, which translates into coverage.

8.5 Human Resource Strategy

1. Human resource must arrange technical training like Instructor Led Training, E-Learning, Simulation Employee, Group Discussions, Coaching, Mentoring, Hands On Training etc. for sales staff, so that they must know about the product and its attribute. It will help them to strategically place product at right point of purchase.
2. Top management should be involved with sales and marketing team at time of launch in order to create a sense of importance and urgency across Fauji foods limited.
3. A territory manager will be dedicated for execution of product launch.
4. For successful launch purpose, dedicated salesmen should be incentivized

8.6 5-Year Financial Projections

Our financial strategy will cover 5-year plan about investment and return for launch of

packaged juice category. The following analysis will part of this section.

1. **Pro forma profit and loss**
2. **Balance sheet**
3. **Free cash flow statement**
4. **Business ratios**
5. **NPV, WACC & IRR**

Moreover, following assumptions were taken for forecasting five-year projection.

1. Volume will be increased at 17.7 Year on year basis
2. Prices will be increased at 25% Year on Year basis.
3. Contribution margin will be 35% as per consent with Finance department and Tetrapak recommendation.

Recommendation

1. In order to expand in future, Fauji foods Limited must arrange investments for new machinery.
2. Marketing budget for ATL campaign through TV media should be allocated from Year 2 onwards, since expansion beyond Karachi Lahore and Islamabad market will require more awareness among consumers.
3. Reduce cost by developing local vendors for raw material, which will improve Project's IRR and NPV.

The details are given in Appendix 5: Exhibit 13, Exhibit 14, Exhibit 15, Exhibit 16, & Exhibit 17.

9 CONCLUSION

In order to attain market share in fruit drink category, Fauji Foods Limited should enhance its financial as well as operational capability. For this purpose, Fauji Foods Limited should reduce its cost by utilizing idle capacity of its plant by improving sales of its other products.

Institutionalize Human resource department, which works as business partner for every function by identifying their needs and enhance employee's capability.

IV. List of Exhibits

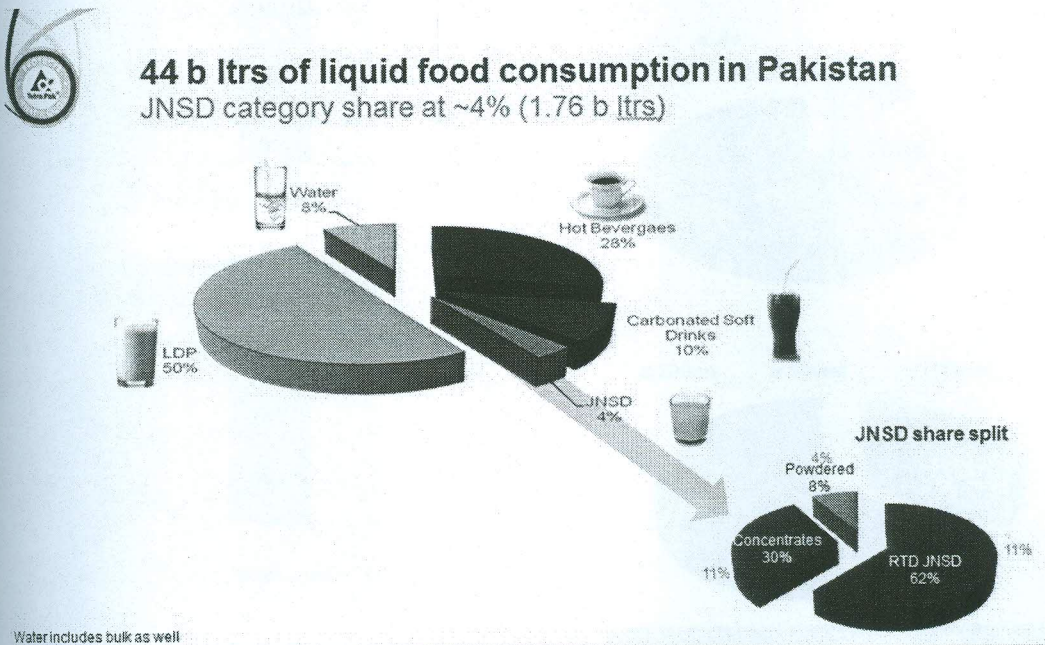
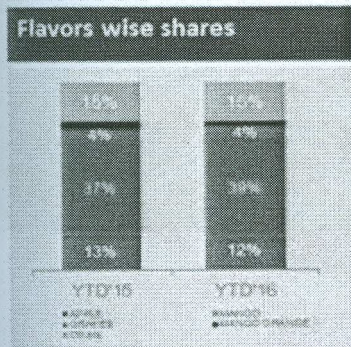
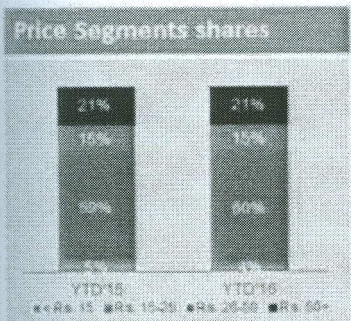
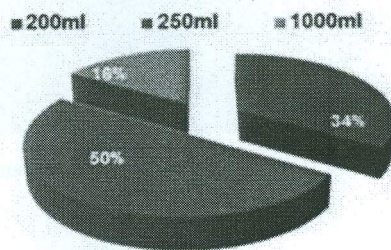
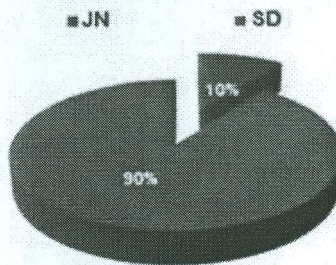


Exhibit 1: Liquid food consumption in Pakistan (Source: Tetrapak research 2016)



Juices & Nectars → 25-100% Fruit Content
Still Drinks → Less than 25% Fruit Content



Source: Tetrapak Research 2016

Exhibit 2: Juices and Nectars category overview Source (Tetrapak Research 2016)

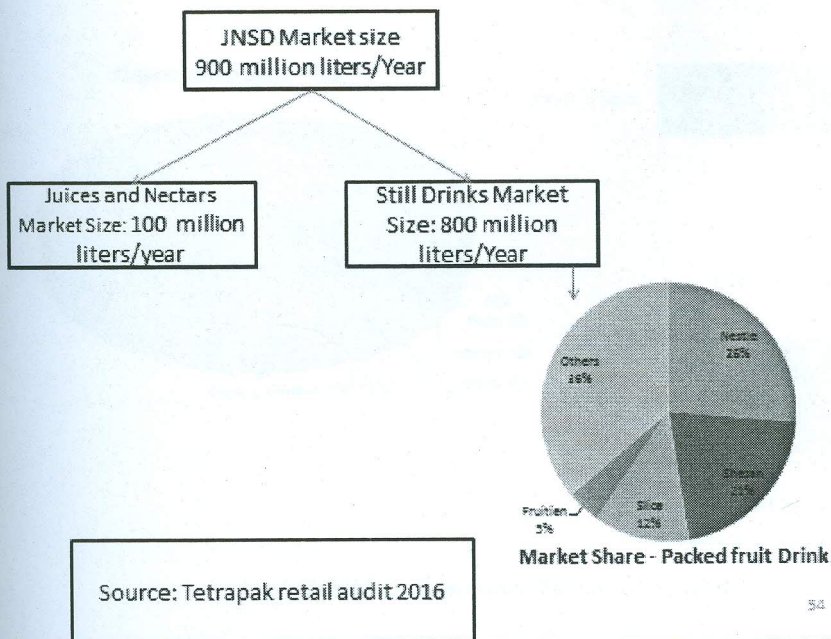


Exhibit 3: Market Share Packed Fruit Drink

WHAT	WHO	WHY	WHEN	WHERE
•Brands consumed •Flavors consumed •Type of juices consumed	•Who consumed •Who purchase •Demographics profile •Psychographics	•Reasons for consumption •Need states •Product attributes	•Time of Day •Whether consumed with snack, food, on own •Activity before and during	•Where Purchased •Where consumed

Exhibit 4: 5 W Model for Customer Analysis

Consumer Purchase Behavior

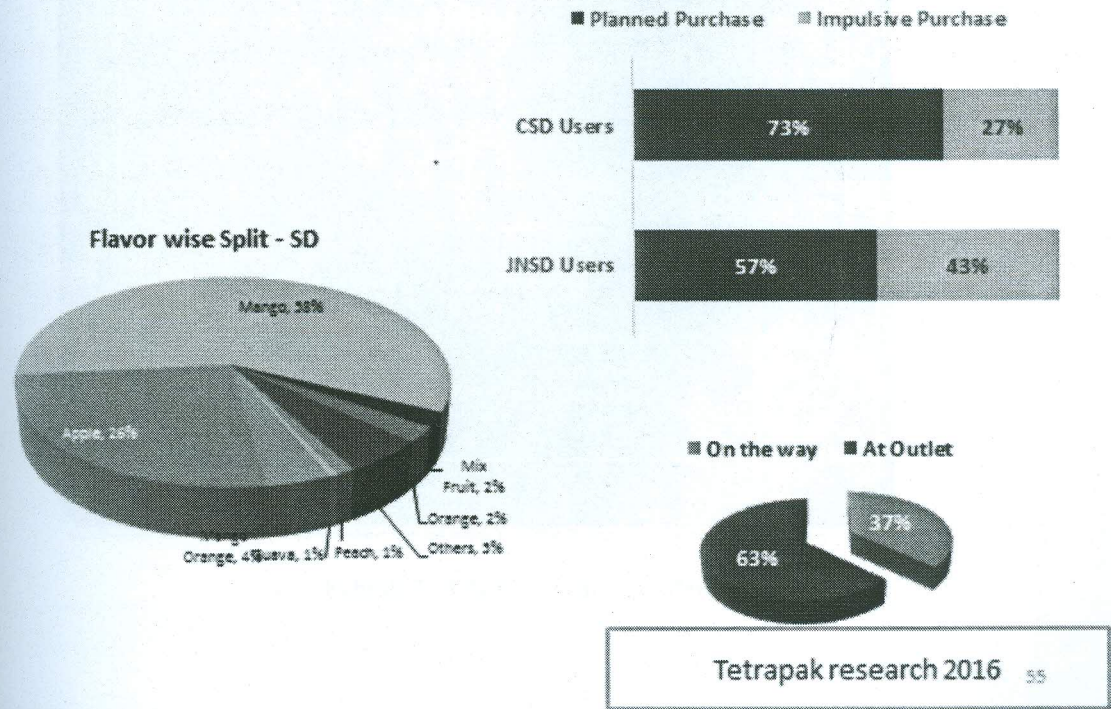


Exhibit 5: Consumer Purchase Behavior

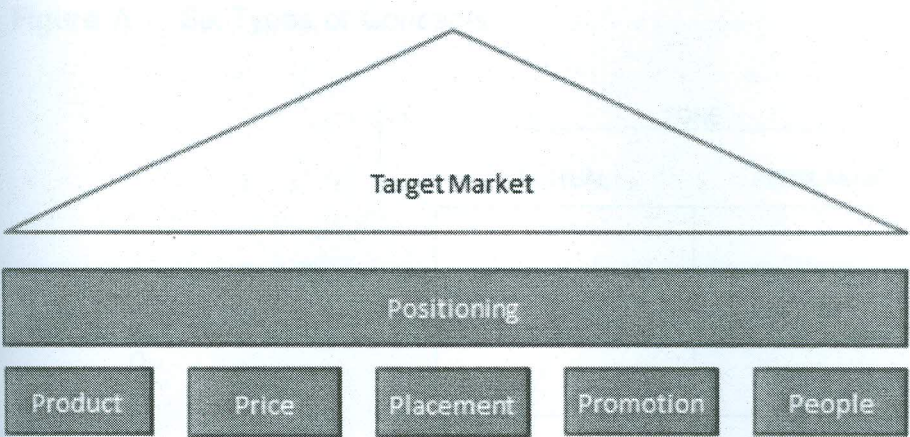


Exhibit 6: Proposed Strategic Framework

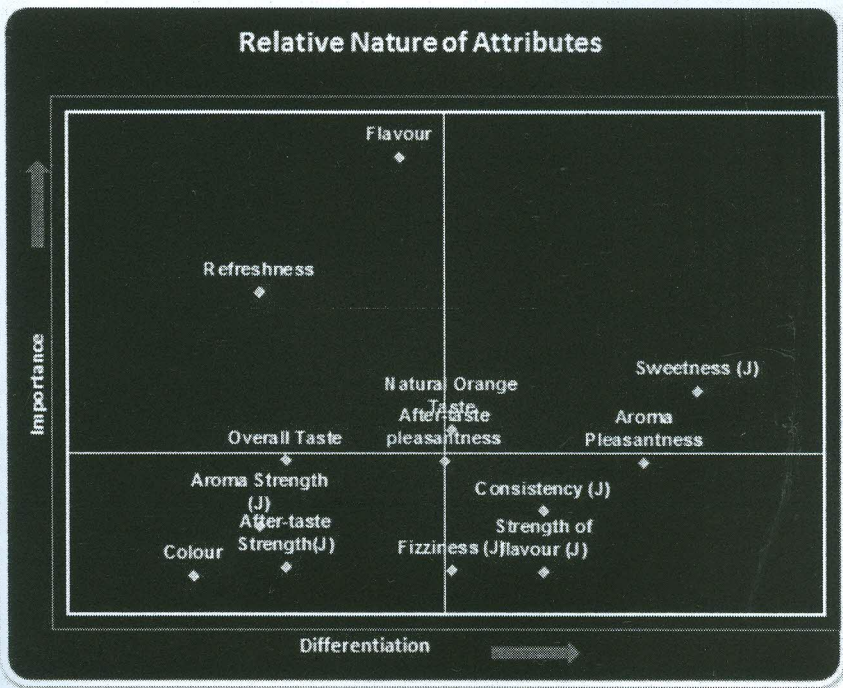


Exhibit 7: Relative Nature of Attributes

Figure A Six Types of Concepts

		TONE	
		FACTUAL	PERSUASIVE
M O D E	Words Only		
	Visual Only		
	Words + Visual		

Exhibit 8: Six types of Concepts

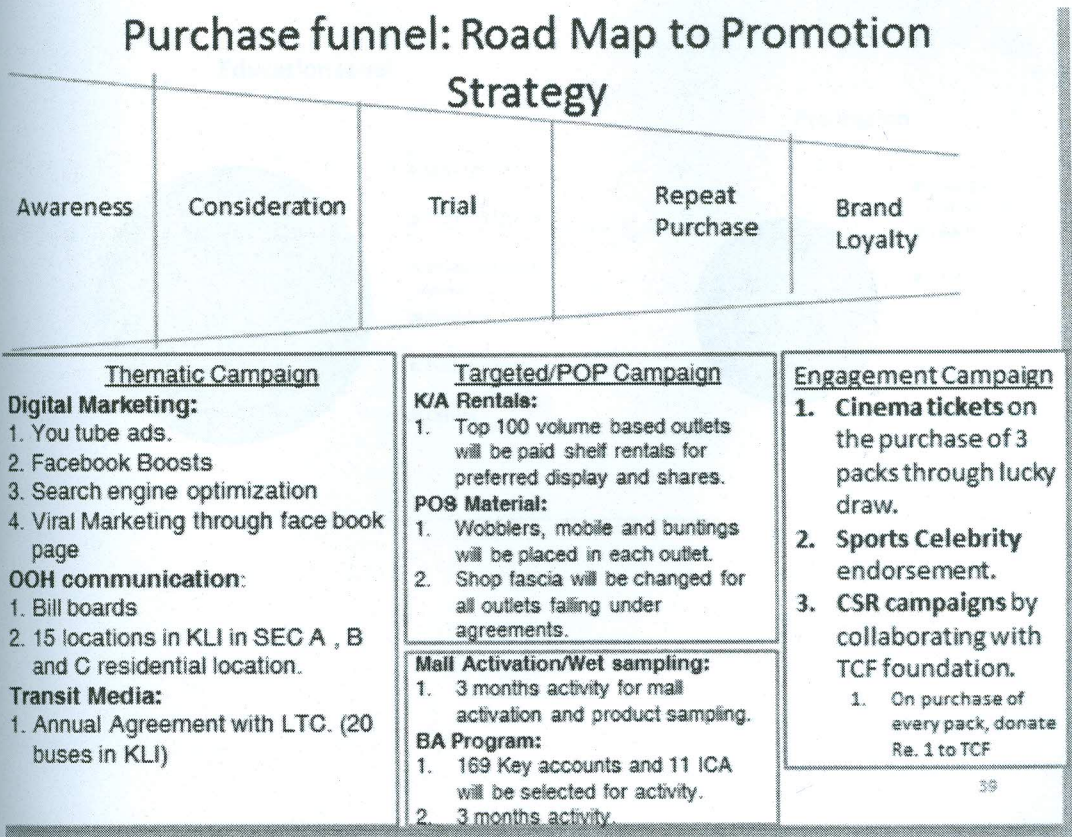
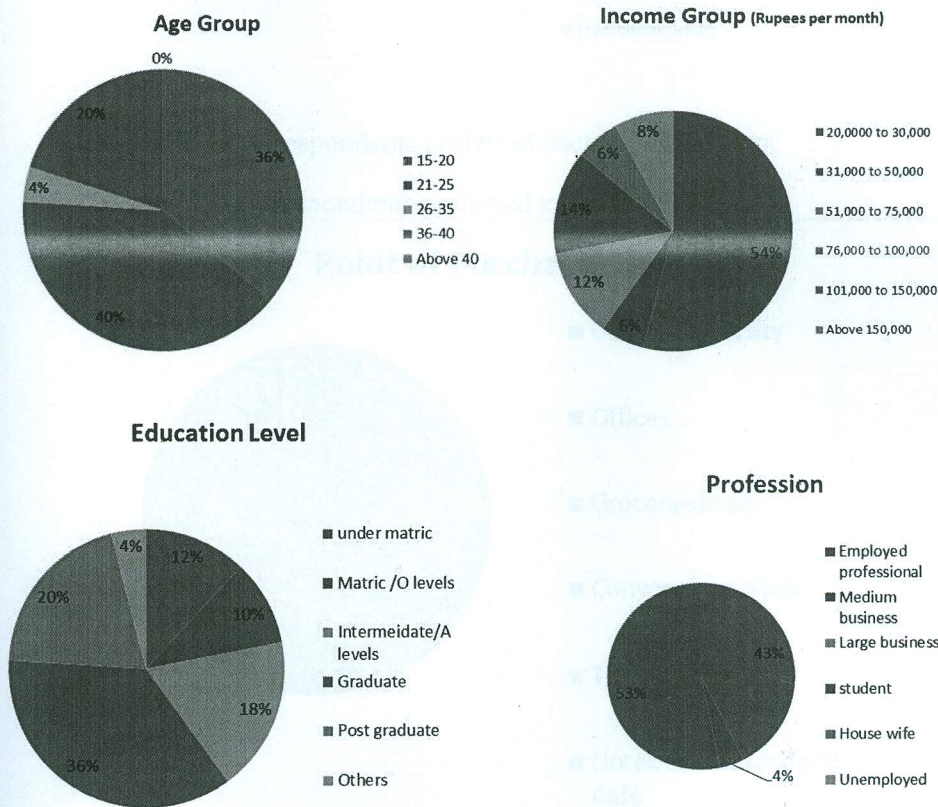


Exhibit 9: Purchase Funnel: Roadmap to Promotion Strategy

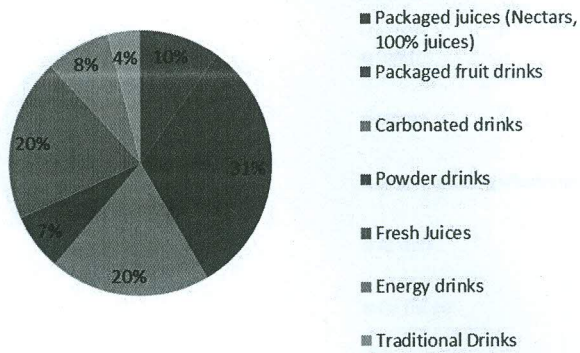
V. Appendix 1: Primary Research Survey Results

Demographics:

- Gender: **Fruit drink is consumed by all genders.**
- Age group: **76% of fruit drink consumer belongs to age bracket of 15 to 25 years.**
- Income Group: **54% Of Fruit drink consumers belong to income group of 20K to 30K**
- Educational Level: **54% of respondents were having education intermediate or more.**



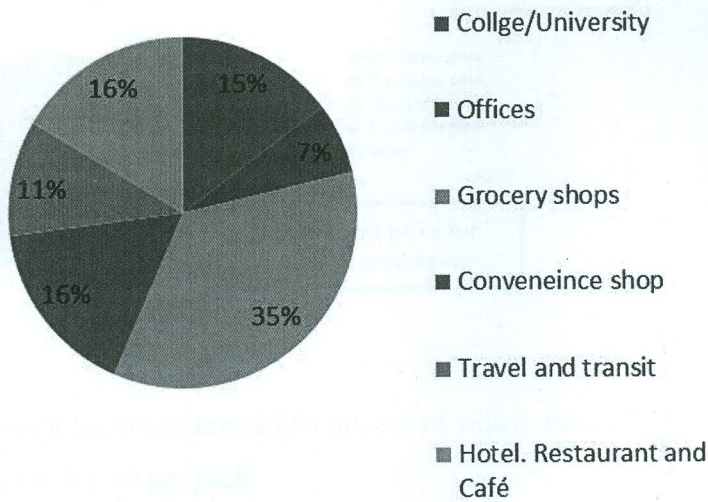
Drink Consumption Preference



31% of respondents preferred packed juice drinks.

20% respondents preferred carbonated drinks

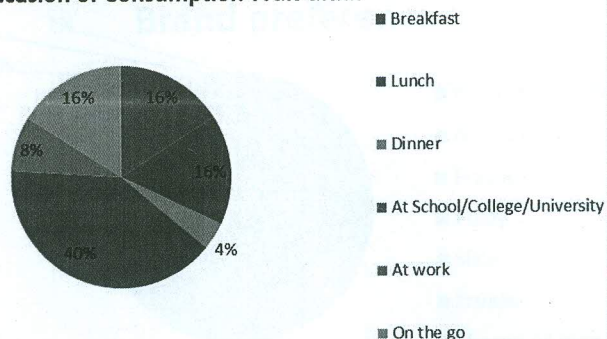
Point of Purchase



Grocery shops are leading point of purchase for fruit drink 35%

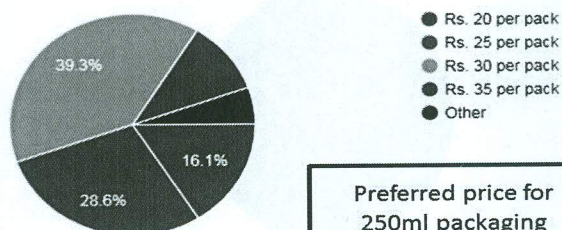
Fruit drinks are also purchased at college/uni as well as at travel and transit.

Occasion of Consumption-Fruit drink



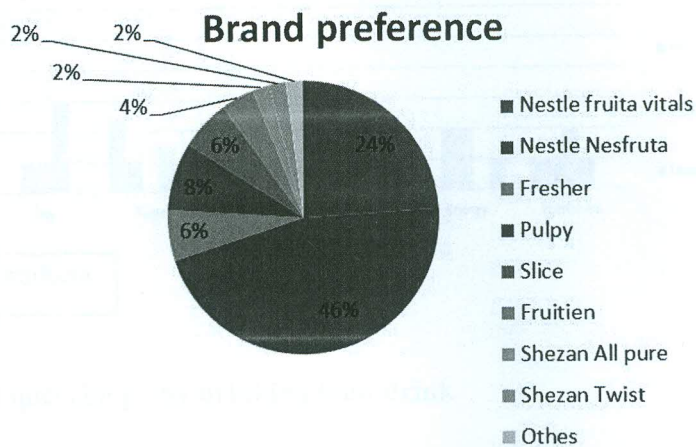
Fruit drinks are mainly consumed at “Educational institutes” as youth has limited budget to spend and prefer lighter drinks. 40%

“On the go” consumption of fruit drink has high probability of 16%



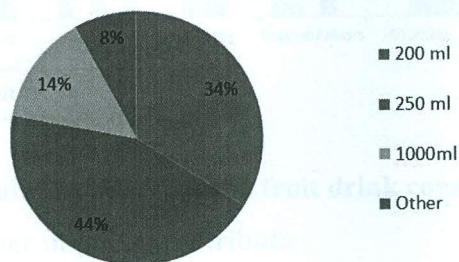
Preferred price for
250ml packaging

44% of respondents preferred 250 ml, out of which, 68% respondents preferred price of Rs. 25 to Rs. 30 per pack.

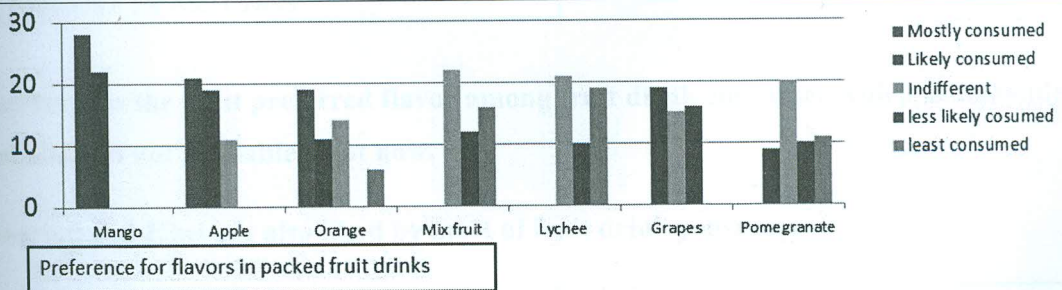


Nestle Nesfruta has strong recall and consumption among respondents (46%)

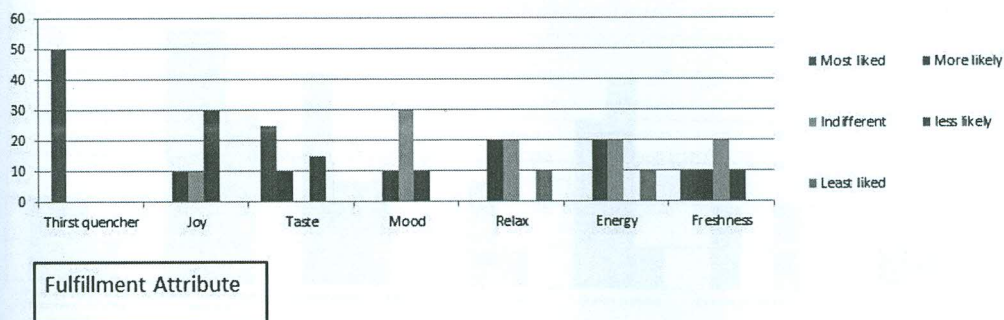
Pack size preference for fruit drink



Tetra packaging has significant preference (64%) over any other packaging among all respondents.

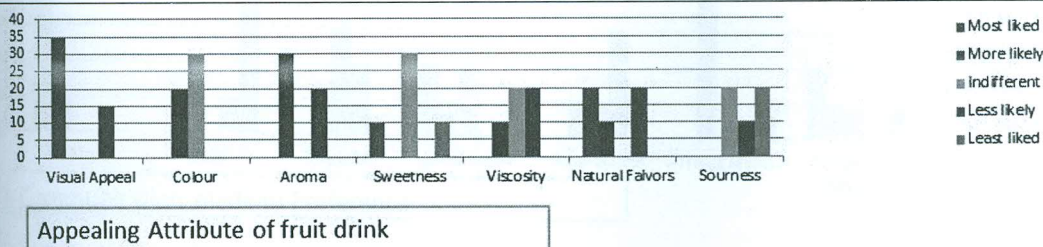


Mango, Apple and Orange are mostly consumed and preferred flavors



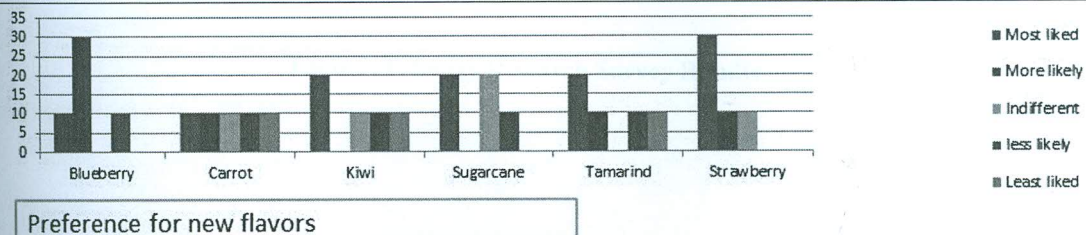
“Thirst quenching” by drinking fruit drink

“Taste” was another most important fulfillment attribute for a fruit drink consumer.



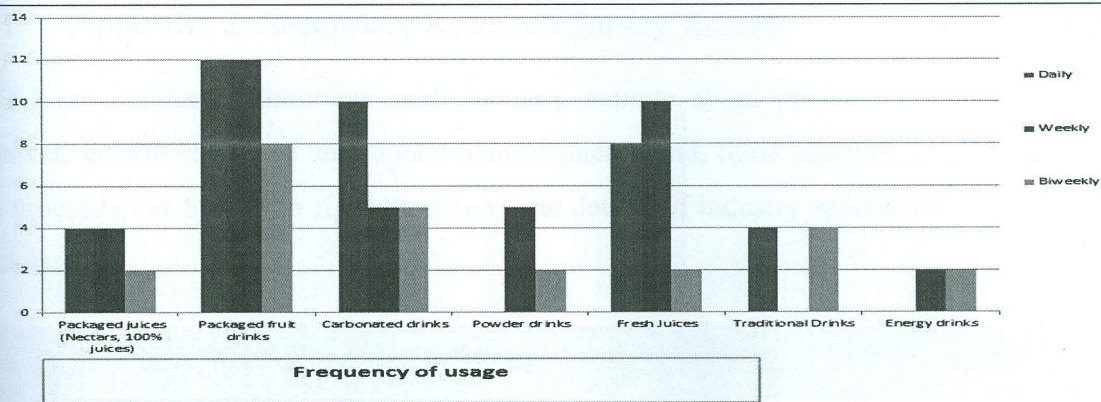
Visual appeal is most liked attribute for packed fruit drink consumer.

Taste of fruit drink is another important attribute

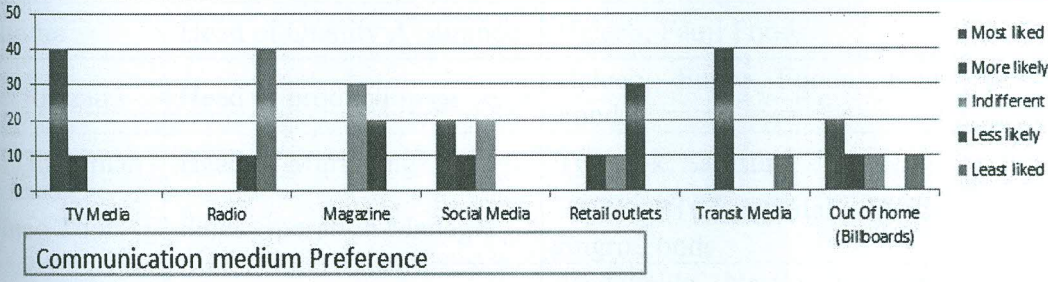


Strawberry is the most preferred flavor among fruit drink consumer which is demanded by them and it is not available right now.

Tamarind and Kiwi are also liked by most of fruit drink consumers



Packed fruit drink is consumed on daily and bi weekly basis as per respondents of survey.



TV media is most preferred medium of communication among fruit drink consumer

Social Media is famous among fruit drink consumers as majority of them is within age bracket of 15-25.

Table 1: Primary Research Survey Results

VI. Appendix 2: Secondary Research Survey Results

We have conducted interview with industry experts about product, potential in the market, growth strategies and launch plan of juice brand, these insights really helped us to proceeds our project in right direction. The details of industry specialists are as given below:

<u>Client Name</u>	<u>Designation</u>	<u>Companies Exposure</u>	<u>Industry Experience</u>
Imran Moonis	Brand Manager JNSD	Fauji Foods, Engro, Coca Cola	15 Years
Fraz Ahmad	Trade Marketing Manager	Unilever, PTC, Engro, Haleeb, Zong	16 years
Rao Imran	Head of Quality Assurance	Haleeb, Fauji Foods	18 years
Abdul Razzaq	Head of production	Haleeb, Engro Foods, Fauji Foods	22 years
Umer Ghumman	Head of Marketing	Tetrapak, Samsung	20 years
Hammad Toor	Sales Operation Manager	PTC, PTCL, Hilal Foods, Engro Foods	16 years
Sadaf Naqvi	Head of Foods Services	Mcdonalds, Nestle, Unilever, Engro Foods, Coca Cola	18 years
Khawaja Rizwan	Channel Development Manager	Packages, Engro Foods	14 years

Table 2: Industry Specialists Details

The key findings are as given below:

1. Keep an eye on competitor's offerings and pricing tactics which they are using.
2. One vital role is to select the right target audience and market segmentation according to demographics (income, gender, occupation) who consume the products, geographic and life style of customers. To cover attitude towards project, benefits and loyalty among competitor brands.
3. How to attract consumers through marketing campaign? Which mediums to use for advertise what amount to spend to achieve targets on media mix.
4. How to differentiate your product from competitors which have strong presence in juices category and force customers to reach on point of purchase.
5. To choose right channel and effective supply chain and distribution strategy decide to penetration of product and future success.

6. To evaluate last 5 years juice category growth and penetration in juice industry, market size in Pakistan and buying pattern and consumption behaviours of customers and consumers.
7. Experts suggest us to study on pack sizes consumed for juices category, which flavours being consumed and what type of juices.
8. At what time, consumers prefer to consume juices and what are patterns of usage like with breakfast, snacks or meals.
9. Who have the buying decision for large packs and small packs and to differentiate between juice customer and consumers?
10. From which channels they are purchased and where to consumer, by analysing this will assist to consumption behaviour and buying patterns, frequency of consumption and purchase.
11. What are the reasons for consumption, what needs they satisfy and which product attributes contribute most?
12. Focus on product features which is covered in our part of research and differentiate between impulse and planned purchases.
13. Consideration of brand purchase by demographics and social economic class.
14. To elaborate need state in detail and occasion usage and purchase.
15. Focus of attributes like product delivery (Natural, fresh, made from best fruits), convenience of store and availability, brand imagery, liked by, advertising and packaging, price, quality and benefits.
16. What are the key differentiations among the existing brands in the market?
17. Which packaging format has the high recall and medium and lowest.
18. To analyse the trends of demand and supply for existing brands in order to plan production accordingly and effectively utilize plant capacity to balance demand tendencies and supply.
19. To manage pack mats and necessary raw materials up to desired optimal inventory and meet cost standards across the industry.
20. Ensure quality orientation and identify quality improvement programmes to improve the cost effectiveness of the manufacturing process for the factory.

- 21. To monitor working conditions and provide safe and hygienic environment across the plant facility.
- 22. Ensure that appropriate standard operating procedures (SOP's) are developed and maintained for all aspects of the business.
- 23. Compliance of international health and safety programmes along with quality standards.

VII. Appendix 3: Perceptual Mapping

In order to come up with our value proposition, we need to identify customer's perception about existing fruit drink on the basis of quality, taste, price and pack sizes. According to Tetrapak report 2016, we analyzed that customers perceive Fruita vitals as high quality and high tasting product. While in fruit drink category, all brands are perceived as medium quality products. Almost, all Fruit drink brands are rich in taste. Secondly, fruit drink brands with pack size 200ml are perceived to be at price point of Rs.15 to Rs.20 per pack with an exception of Fruitein Joy, which is selling at Rs. 25 per pack due to quality and taste as perceived by consumers.

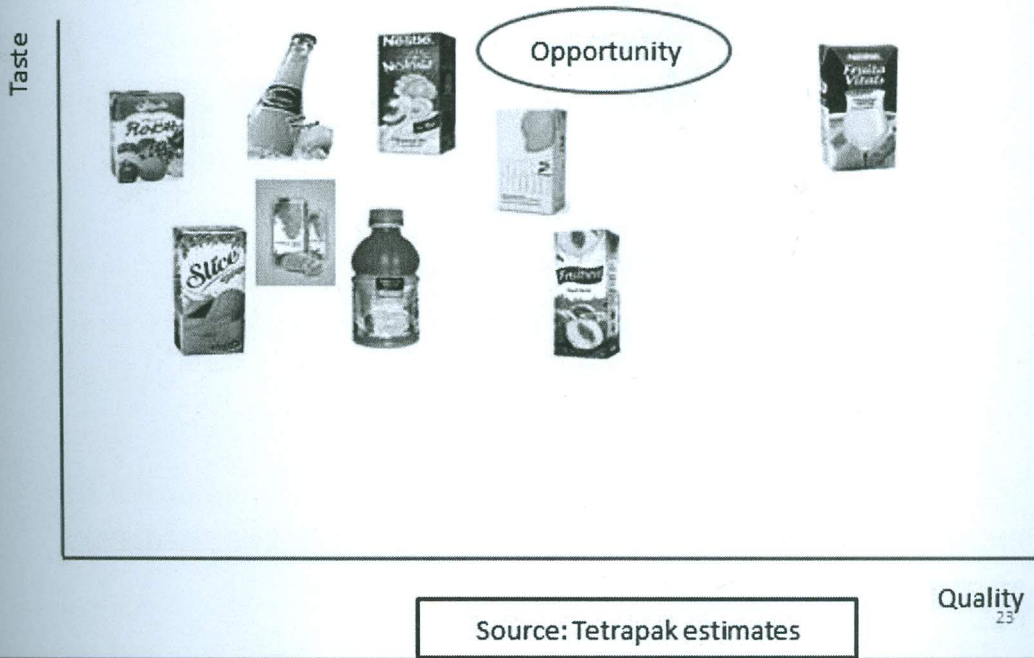
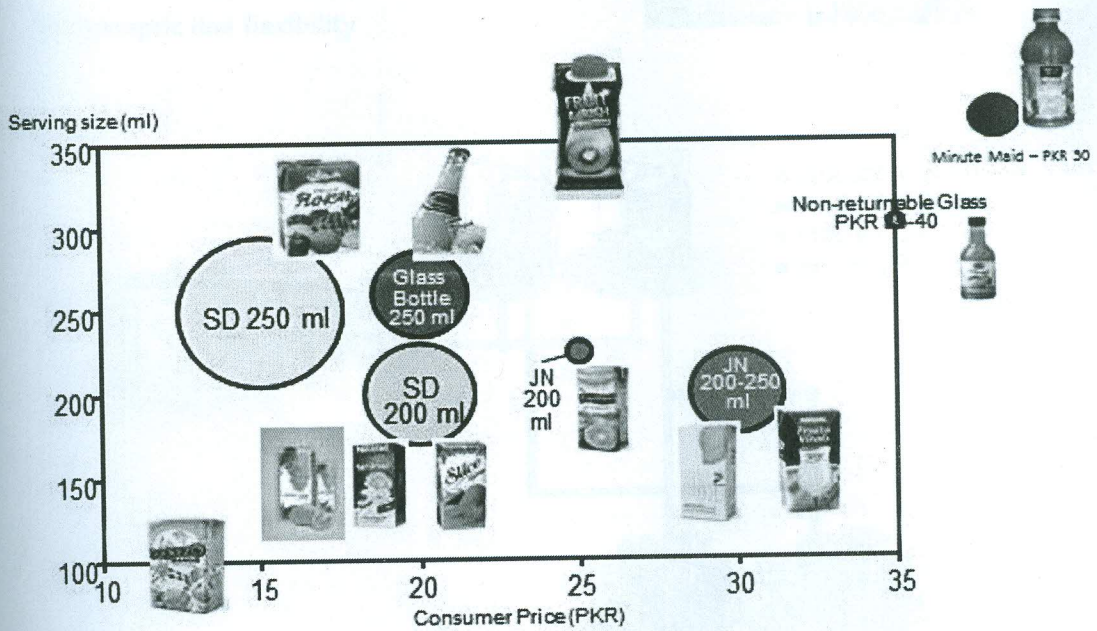


Exhibit 10: Perceptual Mapping on the basis of quality & taste



Source: Tetrapak estimates

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Exhibit 11: Perceptual Mapping on the basis of price & pack size

VIII. Appendix 4: Operations Strategy – Process flow

With Aseptic line flexibility

OneStep Technology

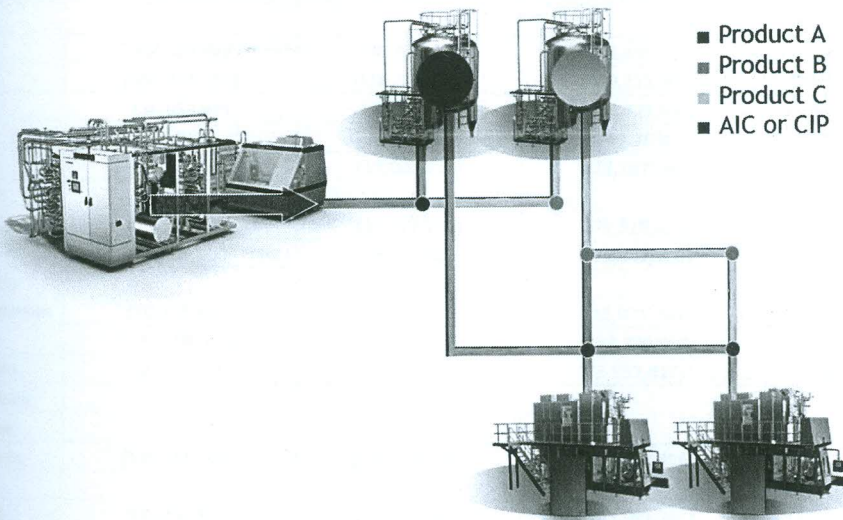


Exhibit 12: Process Flow Operations

Process Flow: -

- Process starts with concentrate alignment from both locally like Citropak and imported pulp.
- Two type of Pulp used for production Frozen and Aseptic Package which store in cold Storage. Next process is pulp goes into thawing room and frozen pulp heat up process starts
- Storage in tank and mixing of water, sugar, ingredients further leads to pasteurize.
- The whole process proceeds through batch production.
- Juice Preparation
- Juice storage tank
- Filling and Packaging
- Cooling and Storage

Tetra A3 plex can produce 18,000 liters of fruit drink in 16 hours shift, so this capacity is enough to cater anticipated demand of approximately 15,000 liters per day. We would recommend Tetra A3 Plex.

IX. Appendix 5: Financial Projection

Fauji Foods Limited					
Business Plan 2022					
Projected Profit & Loss Statement					
	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Sales	607,932,448	741,677,587	904,846,656	1,103,912,920	1,346,773,763
Cost of sales	(469,281,691)	(556,668,085)	(659,125,005)	(782,999,375)	(932,644,425)
Gross Profit/(Loss)	138,650,691	185,009,085	245,721,651	320,913,545	414,129,338
	22.81%	24.94%	27.16%	29.07%	30.75%
Variable Trade Rebate	(15,578,868)	(19,006,218)	(23,187,586)	(28,288,855)	(34,512,404)
Sales Support Expenses	-	-	-	-	-
Freight & Forwarding	(15,801,423)	(19,277,736)	(23,518,838)	(28,692,982)	(35,005,438)
Marketing Cost	(96,000,000)	(76,128,000)	(71,443,200)	(87,160,704)	(106,336,059)
Marketing Cost Recovery	-	-	-	-	-
General Marketing Expenses	(10,125,883)	(12,353,577)	(15,071,364)	(18,387,064)	(22,432,219)
Distribution Cost	(137,506,173)	(126,765,531)	(133,220,988)	(162,529,606)	(198,286,119)
Administrative Expenses	(2,658,840)	(3,243,785)	(3,957,417)	(4,828,049)	(5,890,220)
Other Operating Expenses	-	-	-	-	-
Other Operating Income					
Total Operating Expenses	(140,165,013)	(130,009,316)	(137,178,406)	(167,357,655)	(204,176,339)
Operating Profit/(Loss)	(1,514,255)	(55,000,186)	(108,543,245)	(153,555,890)	(209,952,999)
Finance Cost	(5,040,000)	(4,620,000)	(2,940,000)	(1,260,000)	
Profit/(Loss) Before Taxation	(6,554,255)	50,380,186	105,603,245	152,295,890	209,952,999
Taxation		(15,114,056)	(31,680,974)	(45,688,767)	(62,985,900)
Profit/(Loss) After Taxation	(6,554,255)	35,266,130	72,922,272	106,607,123	146,967,099
Earnings per Share	(0.39)	2.1	4.4	6.35	8.75

Exhibit 13: Pro forma income statement

Fauji Foods Limited						
Business Plan 2022						
Projected Balance Sheet						
As AT	Opening Balance	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Assets						
Non-Current Assests						
Propert, Plant, Equipment	240,000,000	217,070,010	195,363,009	175,826,708	158,244,037	142,419,633
CWIP	-	-	-	-	-	-
Intagible Assets	-	-	-	-	-	-
Security Deposit	-	-	-	-	-	-
Deffered Taxation - Net	-	-	-	-	-	-
		217,070,010	195,363,009	175,826,708	158,244,037	142,419,633
Current Assests						
Stores , Spares & Loose Tools		14,394,265	14,394,265	14,394,265	14,394,265	14,394,265
Stock-in-Trade		5,077,202	5,077,202	5,077,202	5,077,202	5,077,202
Trade Debts-Unsecured		545,325	545,325	545,325	545,325	545,325
Loans and Advances						
Deposits and Prepayments						
Sales Tax Refundable						
Advance Income Tax						
Cash and Bank Balance		16,330,189	69,824,606	158,104,167	285,517,908	456,797,586
Total Currrent Assets	-	36,346,981	89,841,393	178,120,960	305,534,700	476,814,379
Short term Investments	-	15,343,571	2,905,899	-	-	8,382,837
Total Assests		268,760,562	288,110,307	353,947,667	463,778,737	627,616,849

EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Paid-up capital		168,000,000	168,000,000	168,000,000	168,000,000	168,000,000
Share Premium		-	-	-	-	-
Unappropriated Profit		1,562,130	28,711,875	102,634,147	228,938,098	420,838,417
		169,562,130	196,711,875	270,634,147	396,938,098	588,838,417
Surplus on Revaluation - PP & E		-	-	-	-	-
Deferred Income		-	-	-	-	-
NON-CURRENT LIABILITIES						
Long Term Loan For New Investment		48,000,000	36,000,000	24,000,000	12,000,000	-
Finance lease liabilities		-	-	-	-	-
Employee Benefits		-	-	-	-	-
Total Non-Current Liabilities		48,000,000	36,000,000	24,000,000	12,000,000	-
CURRENT LIABILITIES						
Trade and other payables		38,778,432	38,778,432	38,778,432	38,778,432	38,778,432
Accrued mark-up and interest		420,000	4,620,000	2,940,000	1,260,000	-
Current Proportion of Lease		12,000,000	12,000,000	12,000,000	12,000,000	-
Total Current Liabilities		51,198,432	55,398,432	53,718,432	52,038,432	38,778,432
Short term finances						
TOTAL EQUITY AND LIABILITIES		268,760,562	288,110,307	348,352,578	460,976,529	627,616,849

Exhibit 14: Balance Sheet

Fauji Foods Limited
Business Plan 2022

Ration Analysis					
Profitability Ratios	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Gross Profit Margin	22.80%	24.90%	27.20%	29.10%	30.70%
Operating Profit Margin	-0.20%	7.40%	12.00%	13.90%	15.6%
Net Profit/(Loss)Margin	-1.10%	4.80%	8.20%	9.70%	10.90%
Leveraging & Liquidity Ratio	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Current Ratio	0.71	1.62	3.32	5.87	12.3
Debtors Turnovers(Times)	0	0	0	0	0
Quick or Acid Test Ratio	0.61	1.53	3.22	5.77	12.16
Debt to Equity Ratio(Times)	22%	15%	8%	3%	0%
Debators Turnovers(Days)	0.33	0.27	0.22	0.18	0.15
Inventory Turnovers(Days)	3.95	3.33	2.81	2.37	1.99

Exhibit 15: Financial Ratios

Free Cash Flows To The Company					
	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Cash Flow Investing	(240,000,000)				
Cash From Operations	25,908,675	136,580,535	259,525,578	81,028,473	188,042,508
Less: Tax Paid		15,114,056	45,688,767	15,114,056	45,688,767
	214,091,325	104,899,561	196,539,679	65,914,417	142,353,741
IRR	37%				
NPV	120,085,204				
WACC	14%				

Exhibit 16: Free Cash Flows

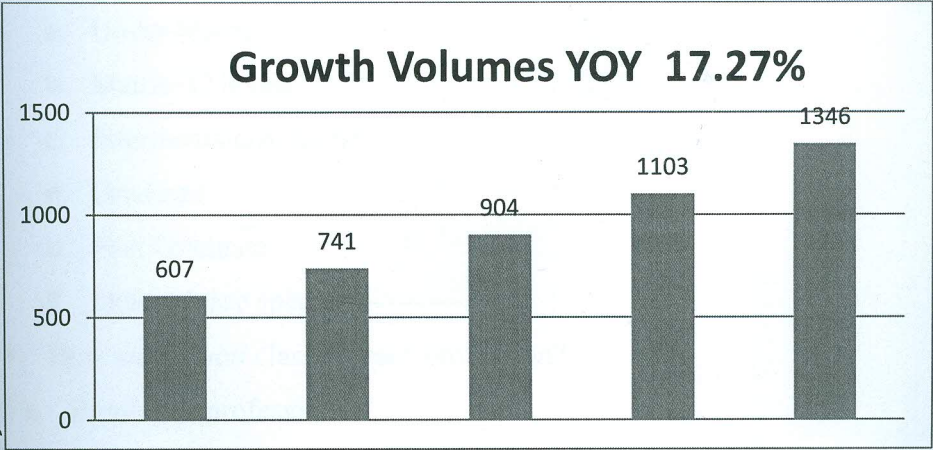


Exhibit 17: Year on Year Volume Projection Graph

X. Appendix 6: Questionnaire for Packed Juices

Questionnaire for Packed Fruit Drinks

We are candidates of MBA program at Bahira University Lahore Campus 2018-2020. As a part of our final year project, we are conducting an interview regarding preferences of packed fruit drink consumers on behalf of our client, Fauji Foods Limited.

- Ahmed Nadeem ahmad_descent@hotmail.com
- Umer Aslam m.umeraslam@hotmail.com

Questions: -

- 1- Gender: Male ☐ Female ☐
- 2- Residence: Islamabad ☐ Lahore ☐
- 3- Age Group:
 - ☐ 15 – 20
 - ☐ 21 – 25
 - ☐ 26 – 35
 - ☐ 36 – 40
 - ☐ Above 40
- 4- Please specify your level of education.
 - a. Under Matric
 - b. Matric/ O levels
 - c. Intermediate/A levels
 - d. Graduate
 - e. Post Graduate
 - f. Other please specify -----
- 5- How would you classify your profession?
 - a. Employed professional
 - b. Medium businessman / Shop owner
 - c. Large businessman / factory owner
 - d. Student
 - e. House wife

f. Unemployed

6- Please specify, which income group do you belong?

- a. Rs.20,000/Month to Rs.30,000/Month
- b. Rs.31,000/Month to Rs.50,000/Month
- c. Rs.51,000/Month to Rs.75,000/Month
- d. Rs.76,000/Month to Rs.100,000/Month
- e. Rs.101,000/Month to Rs.150,000/Month
- f. Above Rs.151,000/Month

7- Please confirm which of following products, do you consume regularly? (you can choose more than one options)

- a. Packaged Juices (Nectars, 100% Juices)
- b. Packaged Juices fruit drinks
- c. Carbonated Soft Drinks (e.g. Pepsi, coca cola)
- d. Powder Drinks (e.g. Tang, sunsip)
- e. Fresh Juices
- f. Traditional Drinks (e.g. Lassi, Jam-e-shirin, Sattu)
- g. Energy Drinks

8- Please confirm the frequency of usage for options selected in question 7.

- a. Packaged Juices (Nectars, 100% Juices) -----
- b. Packaged Juices fruit drinks-----
- c. Carbonated Soft Drinks -----
- d. Powder Drinks-----
- e. Fresh Juices-----
- f. Traditional Drinks-----
- g. Energy Drinks-----

9- Which brand do you buy and consume regularly (Can choose multiple options)?

- a. Nestle Fruita Vitals (Nectars, 100% Juices)
- b. Nestle Nesfruta (Fruit Drinks)
- c. Fresher (Juices)
- d. Pulpy (Fruit Drinks)
- e. Slice (Fruit Drinks)
- f. Fruitien (Nectars, 100% Juices)
- g. Fruitien (Fruit Drinks)
- h. Shezan All Pure (100% juices, Nectars)
- i. Shezan Twist (Fruit Dinks)
- j. Other (please specify): _____

10- Please rank following basic fruit drink consumption from most consumed to least consumed. (1 is most consumed and 5 is least consumed).

Flavours					
Mango	1	2	3	4	5
Apple	1	2	3	4	5
Orange	1	2	3	4	5
Mix Fruit	1	2	3	4	5
Lychee	1	2	3	4	5
Grapes	1	2	3	4	5
Pomegranate	1	2	3	4	5

11- Please specify, which pack size in packed fruit drinks, do you want to consume for selected brand the most (you may select multiple options)?

- a. 200 ML
- b. 250 ML
- c. 1000 ML

d. Any other, please specify -----

12- At what price, would you expect to have fruit drink product offered in 250ml?

- ☐ Rs. 20 per pack
- ☐ Rs. 25 per pack
- ☐ Rs. 30 per pack
- ☐ Other (please specify).....

13- Which packaging, do you like the most for fruit drink (please select one option)?

☐ Tetrapak



PET Bottle

☐ Ecolean Packaging



Glass Bottle



14- At what time or occasions, you consumed packed fruit drinks?

- a. Breakfast
- b. Lunch

- c. Dinner
- d. At School / College / University
- e. At Work
- f. On the go

15- Please rank the fulfilment attributes through packed fruit drinks consumption
(where 1 is most important and 5 is least important).

Attributes					
Thirst Quencher	1	2	3	4	5
Joy	1	2	3	4	5
Taste	1	2	3	4	5
Mood	1	2	3	4	5
Relax	1	2	3	4	5
Energy	1	2	3	4	5
Freshness	1	2	3	4	5

16- Please rank the following attributes of appealing through packed fruit drinks
(Where 1 is the most important and 5 is the least important).

Attributes					
Visual Appeal	1	2	3	4	5
Colour	1	2	3	4	5
Aroma	1	2	3	4	5
Sweetness	1	2	3	4	5
Viscosity	1	2	3	4	5
Natural Flavour	1	2	3	4	5
Sourness	1	2	3	4	5

17- Please rank following media of advertisements you prefer to watch and listen
(where 1 is the most important and 5 is the least important).

Advertising Media's					
---------------------	--	--	--	--	--

TV Media	1	2	3	4	5
Radio	1	2	3	4	5
Magazines / Papers	1	2	3	4	5
Social Media / Viral	1	2	3	4	5
Retail Outlets Branding	1	2	3	4	5
Transit Media (Daewoo Bus Branding)	1	2	3	4	5
Out of Home (Hoardings)	1	2	3	4	5

18- From where, do you often buy packed fruit drinks? (Can choose multiple options).

- o Colleges / Universities / School
- o Offices / Work places
- o Grocery shops (Kiryana, General, Departmental, Bakeries, Drug Stores)
- o Convenience stores (Petrol Station Marts, Pan shop, Kiosks)
- o Travel & Transit (Airport, Railway, Bus, Motorway)
- o Hotel, Restaurants, Canteens, Café etc.

19- Please rank which of the following new fruit drinks flavours you want to consume (where 1 is the most important and 5 is the least important).

New Flavours					
Blueberry	1	2	3	4	5
Carrot	1	2	3	4	5
Kiwi	1	2	3	4	5
Sugarcane	1	2	3	4	5
Tamarind	1	2	3	4	5

Strawberry	1	2	3	4	5	
------------	---	---	---	---	---	--

20- Does packed fruit dink of your choice readily available in market of Lahore or Islamabad?

o Yes o No (Reason for Non-Availability) -----

Table 3: Questionnaire for Packed Fruit Dinks

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