# A Market Analysis for New Opportunities in the Cranberry Industry


**Study Conducted by:**

**The University of Massachusetts Dartmouth**
**Charlton College of Business**
**Slade's Ferry Bank Center for Business Research**

**Project Director:**
Nora Ganim Barnes, Ph.D.

**Research Team:**
Jocelyn Kagan
Jennifer Novia
Eric Langone
Ryan Pinto

## EXECUTIVE SUMMARY

- Eighty-four percent of those who responded to the survey have tried eating or drinking a cranberry product. Sixteen percent have not tried cranberry products of any kind.

- Although 30% of those eating cranberry products eat them in the form of baked goods, there is still potential for growth in this product category. Twenty-nine percent of respondents indicated they would buy more cranberry baked goods if they were readily available to them at a reasonable price.

- While only 15% of those surveyed currently purchase fresh cranberries, 50% said they would buy them, if they were readily available at a reasonable price.

- The potential market for cranberry jams/jellies is also attractive. This study shows that although 21% of the respondents are now purchasing these products, 51% would, given availability at a reasonable price.

- This study indicates that there is significant market potential for organic berries and organic juice. While none of the consumers listed organic cranberry products as products they are currently buying, many would be likely to buy them given availability at a reasonable price.

- Seventy percent of respondents in this study expected no difference between a hypothetical brand named "Cape Cod" and any other brand of cranberries. They did not expect that a brand called "Cape Cod" would be different in color or taste. Respondents did indicate that for consumers in the Northeast, such a brand might be fresher given the proximity of the Cape.

- Thirty percent of those surveyed are not familiar with any of the health benefits of cranberries.

- The data in this study suggests that a full two-thirds of those who are not familiar with cranberry products are men from Generation X - 19-35 year olds. They account for approximately 60 million people, now age 19-35, and their spending power is estimated at close to $100 billion.

- The consumers surveyed in this study also provided many suggestions for products they would like to see; such as cranberry lemonade, sugar-free/low sugar juice and baked goods, cranberry popsicles, cranberry pop-tarts, cranberry waffles.

# CHAPTER 1
# INTRODUCTION

## OVERVIEW

Of the approximate 1000 cranberry growers in North America, 500 are in Southeastern Massachusetts. Those growers produce 38% of the cranberry supply and add over 5,500 jobs and $200 million to the Massachusetts economy. While the demand for cranberries has been increasing at a rate of about 3% annually, supply is now increasing at twice that rate (Warsh). As a result, prices have plummeted. From a high of $80 three years ago, prices dropped to as little as $10 a barrel by the end of the 2000 harvest - well under farmers' average cost of $32 a barrel ("Ocean Spray to Stay…").

A Boston Globe correspondent reports the current situation as the worst crisis in the industry since 1959, when a cancer scare led to a widespread dumping of crops. Regardless of one's historical perspective, times have changed for Massachusetts' cranberry growers. One important change occurred in 1987, when Wisconsin entrepreneur John Swendrowski pulled out of the Ocean Spray Cooperative to which he had been selling his cranberries, and formed a publicly traded company (Northland Cranberries Inc.). Since then, the dynamics of the cranberry products market have changed.

As new farmers entered the market in significant numbers, the competitive environment turned into a complex arena. Potential markets did open up, but supply outpaced demand. For the first time, large-scale cranberry farming occurred outside Massachusetts and marketing strategies were not yet developed to handle the new competition. Given this environment, the industry was granted some assistance through a market order issued by The Department of Agriculture on July 12, 2000, to reduce crops by an average of 15%. Even with the aid of regulatory production, however, it is essential to increase demand in order to regain a healthy market presence (Bushnell).

This study is the result of an independent effort at the University of Massachusetts Dartmouth, Charlton College of Business, Slade's Ferry Bank Center for Business Research. Its goal is to evaluate consumer preferences as they relate to the purchasing and consumption of cranberry related products. The University recognizes the importance of an independent market analysis at this juncture. Cranberries are the number one crop in the state, and are an integral part of the economic future of Massachusetts.

With this in mind, the following objectives were established and served as a guide for the study:

- To assess the market potential (consumer demand) for an identified brand of cranberry products.
- To assess the market potential (consumer demand) for organic cranberry products.
- To assess the market potential (consumer demand) for new cranberry products including frozen cranberries and solicit ideas for additional new products.
- To gather information on consumer buying habits, preferred channels of distribution, and preferences related to the purchase of fruits and berries.
- To investigate the effectiveness of a health-related marketing campaign for the industry.
- To identify new market segments for the industry.

## METHODOLOGY

In the summer of 2000, the Project Director met with representatives of cranberry growers and manufacturers. It was decided that this study would focus on consumers in major metropolitan areas in the Northeast, to determine consumer preferences regarding cranberry consumption. To date, there have been no publicly available market studies detailing consumer attitudes regarding cranberries and cranberry related products.

Over three hundred consumers from the Boston, New York, and Greenwich/New London areas were randomly selected and interviewed by telephone between September 2000 and December 2000 (PhoneDisc™). All respondents were asked about their attitude towards, as well as use of, cranberry products. Current buying habits were assessed including what cranberry products were currently being purchased, channels most utilized to obtain products, and attitudes toward "branded" cranberry products. Those indicating a lack of exposure to cranberries were examined in an effort to determine their potential for entering the market. Additional questions were asked to assess the level of association between health-related issues and cranberry products. Cranberry consumers were asked to evaluate the market potential of new products including fresh organic berries and organic juice products. They were also queried regarding new cranberry products they might like to see on the market.

The response rate for this study was approximately 50%. The high response rate and statistically valid sample size make the findings of this study generalizable. The final sample of 329 respondents is statistically valid at the 95% confidence level. All findings presented in the report are valid within a range of ± 2.5%.

**PRESENTATION OF THIS STUDY**

The report begins with the demographic profile of the respondents. It separates cranberry users and cranberry non-users. Differences between the two groups are summarized and implications of these differences are pursued later in the report. The survey instrument used to interview the 329 survey participants follows. This questionnaire was developed in cooperation with representatives from growers, as well as manufacturers who served as an ad hoc advisory group. Every attempt was made to explore ideas or questions posed by the advisory group. The survey was pre-tested for clarity and administered by a team of trained and supervised interviewers. All survey results follow. For each question asked, a frequency table, illustrative chart, and a brief synopsis is presented. These findings are later incorporated into recommended strategies.

A chapter on Consumer Trends and Opportunities is included in an effort to integrate the findings with current market forces. A review of the issues currently affecting food and beverage consumer markets, offers possible new ideas for the cranberry industry. Some affect demand, some distribution or promotion. All have implications for extending the reach of the cranberry industry. This is followed by a chapter titled the Missing Market: Generation X, which focuses on the cranberry non-consumers identified in this study and the possibility of addressing this market. Chapter Five contains suggestions for future research.

The report ends with recommendations and the conclusion which is intended to stimulate discussion and possibly introduce ideas for those interested in new ways to compete in an increasingly more complex environment. Several of these initiatives could help to define new markets, while others will help to expand existing markets. In an industry so integral to the economic well being of the region, there will be a continuing need for timely information on such a rapidly changing consumer environment.

# CHAPTER 2
# SURVEY RESULTS

## DEMOGRAPHICS

Demographic data was collected on the entire sample (See Table 1). It was utilized in an effort to target specific segments identified from the data. Based on responses to the survey, two demographic profiles emerged: cranberry consumers and cranberry non-consumers (See Tables 2 & 3).

Cranberry consumers are predominantly females between the ages of 26 and 55. Most are college graduates with incomes between $71,000 and $90,000. This group makes up approximately 84% of study participants. Respondents who describe themselves as unfamiliar with cranberry products, or cranberry non-consumers, are distinctly different. They are predominantly male between the age of 18 and 35 who are currently in high school, in college, or college graduates. Their average income is between $30,000 and $50,000. This group represents approximately 16% of the study participants.

The differences between these segments were tested and are statistically significant at the .001 level. This indicates a very clear distinction between these two groups of consumers with regard to who they are demographically. The value of this finding, is that young men are so clearly identified as being outside the market. When asked why they did not consume cranberry products, there was no definitive answer. They were not opposed to buying cranberry products, they just did not consider them in their purchasing routines. This is also interesting in that there may not be any negative connotations or resistant attitudes to overcome in order to service this market. Given the size and attractiveness of the Generation X segment, this may prove fertile ground for further investigation.

## Table 1

## Profile of Survey Respondents
## N= (329) 100%*

| | | |
|---|---|---|
| **GENDER:** | | |
| Males | (153) | 47% |
| Females | (175) | 53% |
| **AGE:** | | |
| 18-25 | (44) | 14% |
| 26-35 | (64) | 20% |
| 36-45 | (81) | 25% |
| 46-55 | (64) | 20% |
| 56-65 | (51) | 15% |
| over 65 | (22) | 7% |
| **INCOME:** | | |
| <$30,000 | (58) | 20% |
| $30,000-$50,000 | (75) | 25% |
| $51,000-$70,000 | (70) | 24% |
| $71,000-$90,000 | (52) | 18% |
| $91,000-$110,000 | (17) | 6% |
| >$110,000 | (24) | 8% |
| **EDUCATION:** | | |
| High school | (105) | 32% |
| College | (128) | 40% |
| Graduate school | (43) | 13% |
| Post grad/professional | (48) | 15% |

* Any totals not exactly 100% are due to rounding.

# Table 2

## Profile of Cranberry Consumers
## N=(276) 84%*

| | | |
|---|---|---|
| **GENDER:** | | |
| Males | (118) | 43% |
| Females | (157) | 57% |
| **AGE:** | | |
| 18-25 | (31) | 11% |
| 26-35 | (51) | 19% |
| 36-45 | (70) | 26% |
| 46-55 | (56) | 21% |
| 55-65 | (47) | 17% |
| over 65 | (18) | 7% |
| **INCOME:** | | |
| < $30,000 | (47) | 18% |
| $30,000-$50,000 | (56) | 22% |
| $51,000-$70,000 | (64) | 25% |
| $71,000-$90,000 | (51) | 20% |
| $91,000-$110,000 | (17) | 7% |
| >$110,000 | (20) | 8% |
| **EDUCATION:** | | |
| High school | (84) | 31% |
| College | (107) | 39% |
| Graduate school | (39) | 14% |
| Post grad/professional | (45) | 16% |

* Any totals not exactly 100% are due to rounding.

## Table 3

## Profile of Cranberry Non-Consumers
**N=(53) 16%***

| | | |
|---|---|---|
| **GENDER:** | | |
| Males | (35) | 66% |
| Females | (18) | 34% |
| **AGE:** | | |
| 18-25 | (13) | 25% |
| 26-35 | (13) | 25% |
| 36-45 | (11) | 21% |
| 46-55 | (8) | 15% |
| 56-65 | (4) | 8% |
| over 65 | (4) | 8% |
| **INCOME:** | | |
| < $30,000 | (11) | 28% |
| $30,000-$50,000 | (19) | 48% |
| $51,000-$70,000 | (6) | 15% |
| $71,000-$90,000 | (1) | 3% |
| $91,000-$110,000 | (0) | 0% |
| >$110,000 | (3) | 8% |
| **EDUCATION:** | | |
| High school | (21) | 43% |
| College | (21) | 43% |
| Graduate school | (4) | 8% |
| Post grad/professional | (3) | 6% |

* Any totals not exactly 100% are due to rounding.

# A Consumer Market Analysis for New Opportunities In the Cranberry Industry

*Conducted by Charlton College of Business*
*Slade's Ferry Bank Center for Business Research, UMass Dartmouth*

## Part 1. Familiarity with cranberry products

1. Have you ever tried eating or drinking a cranberry product?
   **Yes**--------(*go to question 2*) **No**---------(*go to question 11*)

2. Overall, how would you describe your feelings about the cranberry products you have tried?
   Enjoy very much _____ enjoy occasionally_____
   almost never have any_____ don't enjoy at all _____**(*go to question 12*)**

3. What cranberry products do you currently buy?
   Juice___
   Dry, sweetened snacks___
   Cranberry sauce___
   Baked products___
   Fresh berries when available___
   Jam, jelly___
   Other___

## Part 2. Distribution Channels

4. Where do you usually go to buy fruit or fruit products?
   Supermarket___
   Road-side stand___
   Farmers' market___
   Online/Internet___
   Other_______

5. Do you use the Internet to buy food products?
   Always___ Frequently___ Sometimes___ Never___

6. If you could purchase cranberry products directly from local growers through the Internet, how likely would you be to do that?
   Very likely___ Somewhat likely___ Possibly____ Very unlikely____

## Part 3. Branded Cranberry Products

7. If there were a brand called **"Cape Cod Cranberries"** what would you expect from those cranberries?
   a. The berries would be of higher quality than other cranberries
   b. The berries would be fresher than cranberries grown in other parts of the country
   c. The berries would be a deeper color
   d. The berries would taste better
   e. All of the above
   f. They would be no different than any other brand of cranberries.

8. Which of the following health benefits do you feel are associated with using cranberry products?
   a. Help prevent urinary tract infections
   b. May inhibit cancer
   c. Provides vitamin C
   d. Cardio-vascular/heart health
   e. Not familiar with any health benefits
   f. Other_____

9. What cranberry products would you like to see that might not currently be available?

10. How likely would you be to purchase the following items assuming they were readily available at a reasonable price?

| | Very Likely | Somewhat Likely | Somewhat Unlikely | Very Unlikely |
|---|---|---|---|---|
| Fresh Cranberries | | | | |
| Cranberry Baked Goods | | | | |
| Cranberry Jams/Jellies | | | | |
| Frozen Cranberries | | | | |
| Dry, Sweetened Cranberries | | | | |
| Gift Basket of Cranberry Prod. | | | | |
| Organic Berries | | | | |
| Organic Cranberry Juice | | | | |

11. Which best describes why you have not tried any cranberry product?
    a. My family never served them
    b. I am not familiar with them
    c. I do not have recipes to use them
    d. I think the taste may be too tart
    e. All of the above
    f. Other_____________
    (*Go to questions 13-17*)

12. What is it about cranberry products that you do not enjoy?_____________________

## Part 4. Demographics

| | | |
|---|---|---|
| 13. Gender | Male_____ | Female____ |
| 14. Age | 18-25_____ | 46-55___ |
| | 26-35_____ | 56-65___ |
| | 36-45_____ | over 65___ |
| 15. Income | <$30,000____ | |
| | $30.000-$50,000____ | |
| | $51,000-$70,000____ | |
| | $71,000-$90,000____ | |
| | $91,000-110,000____ | |
| | >$110,000_________ | |
| 16. Education | High School____ | Graduate School___ |
| | College____ | Post Grad/Professional___ |

# CHAPTER 3
# CONSUMER TRENDS AND OPPORTUNITIES

There have been many innovations in the food and beverage industries in the past years. We have seen new forms of packaging, new products, promotional emphasis on health and fitness, the opening of new distribution channels and even the resurgence of grass roots social movements that have changed how farm products are sold. Some of the trends that will heavily impact the cranberry industry are discussed below. In each case, the intent is to begin discussion of new possibilities or variations of what is currently being offered in an attempt to stimulate demand for cranberry products.

## COMMUNITY SUPPORTED AGRICULTURE

Originating in Japan, Community Supported Agriculture or CSA's, are arrangements where an organic farmer contracts with anywhere from a dozen, to several hundred local families to provide them with a box of fresh, organic produce every week. The families typically pay about $500 each for one year of service.

Because families pay in advance, farmers get some of their yearly income prior to harvest. This reduces the amount borrowed from banks and allows farmers to better plan their growing season. Families get fresh seasonal produce and a closer connection to the food source. A web site called Local Harvest maintains free listings of CSA's nationwide. They have 3,300 to date, but suspect there are thousands more CSA’s unaware of their service and not yet listed (Weise).

There could be many adaptations of CSA's. Certainly any farmer, organic or otherwise, could contract with locals to provide farm products. The lure of getting products directly from a local farm has great appeal. Variations on this theme were found in several places. One farmer for example included farm tours as part of the contract agreement for food. He essentially sold a “farm experience” package for a yearly fee.

Similar in some ways is a business called Rent Mother Nature. This is a web-based company, www.Rentmothernature.com, that sells lease agreements for various items usually found on farms. Through this company, consumers can lease their own pecan tree, honeybee hive, rice paddy, or cow. Arrangements vary with some farm products given as gifts. The Pecan Tree Lease is $49.95 with a guaranteed yield of five pounds of unshelled nuts. The Cow Lease promises organic Brie Cheese. Each customer receives a personalized leaseholder certificate and product is sent when available. As of the date of this study, Rent Mother Nature offers lobster traps, oyster beds, trees, cows, and scores of other things - but no cranberry products or bogs, were listed ("Rent Mother Nature")

There may be potential business opportunities for farmers interested in making farm products available in this format. Farm products could be leased or “adopted” at appropriate costs and certificates or documents similar to those discussed could be provided to customers. There appears to be a significant segment expressing themselves through unique and unusual gift giving. This expression allows them to share with the recipients their love of nature.

Other farmers offering pick-your-own programs that stretch throughout the growing season and visitor programs during the off-season are tapping into the Back to Nature Movement. These visitor programs may include contracting with local school districts to provide a tour of the farm and information about products grown etc. Most visitor programs charge $2.50 per person or $10.00 per car. The premise is the same for all community supported programs - people will pay for a connection with the land (Pressler).

## ALTERNATIVE DISTRIBUTION CHANNELS

While most consumers in this study indicate they buy their fruit and fruit products in the supermarket, there appears to be a movement away from this traditional source. The new trends in shopping habits have club stores, dollar stores, box stores, mass merchandisers, and drug stores competing for the traditional supermarket shopper. The Internet is not yet a significant player in the purchase of food products for our respondents or in the larger population.

According to the New York based Private Label Manufacturers Association (PLMA), the mass merchandiser trend is growing at a rate of 15% annually. Bottled juices and carbonated beverages are capturing large sectors of the market, resulting in each channel using private label products as competitive leverage for market share in these high turn-over, consumable categories. Reported in PLMA's 2000 Private Label Yearbook. were figures compiled by Information Resources Inc. indicating that mass merchandisers' revenues for certain private label beverages are more ebullient than those of their supermarket counterparts.

Consumer loyalty to store-brand products ranks high with retailers such as Price Chopper and Shaw's Supermarkets Inc. The spokesperson for Shaw's, which is located throughout all of the New England states, says that about 40% of their total sales over the last five years is attributed to their own branded products (Terreri). Manufacturing and/or marketing under these labels may be a possibility while also remaining in the branded arena.

Liquor stores could provide an important new distribution opportunity. There appears to be opportunity for private label manufacturers in the category of frozen cocktail mixes. There is virtually no private label presence in this category. Frozen Cape Codder Mixes (vodka and cranberry juice) could be sold to target the 80 million people who belong to the under 40 group (Terreri). An article in Beverage World, highlights information on heavy drinkers of canned/bottled cranberry juice. Their favorite things included drinking scotch whiskey or vodka, going to casinos, and traveling ("SMRB: Free Time…"). The article concludes with, "If you don't know cranberry's cool, you haven't been to a big-city bar lately. From pink martinis to cranberry seltzers, hipsters can't swing sans berry." Strategic partnerships with those in the liquor industry could present some potential for new markets as the popularity of cranberry juice rises ("Spectra Highlight…").

Consumers are looking for healthful beverage choices all day long, whether at home, work, school, or in a restaurant. One step towards addressing this trend has been to team up with a juice dispensing company in order to make juice available in restaurants, colleges and universities, and hotel and healthcare institutions. Also, the availability of single-serving juice at convenience stores, drug stores, and even bookstores, would expand the market ("Cranberry Drinks Join…"). Another way to reach this "away from home" market with single-serving size drinks, is through combined supermarket-discount stores, such as Wal-Mart Supercenters. Northland has reached an agreement to sell through Wal-Mart outlets. Several other discount outlets remain uncommitted to a particular manufacturer.

**HEALTH AND FITNESS**

Studies show that cranberries provide a unique, irreversible mechanism that interferes with the adhesion of *Escherichia coli (E. coli)* to the bladder wall and subsequent proliferation required for UTI development ("Cranberry and Bladder Infections"). In a study published by the University of Illinois in 1996, cranberry consumption was shown to have the potential to inhibit the initiation and early stages of colon cancer as evaluated by laboratory screening tests. Research conducted by the Department of Biochemistry, University of Western Ontario shows that cranberry consumption delays tumor development and reduces the spread of tumors to the lungs and lymph system. It is also a rich source of the flavonoid quercetin, which has been shown to effectively inhibit the development of both breast and colon cancer ("Cranberry and Anti-Cancer Potential").

Other research also suggests that there are compounds found in cranberries that might play a part in protecting against ulcer-causing bacteria ("Cranberry and Fighting Ulcers"). The same anti-bacterial properties found in cranberries may be active in fighting periodontal disease. Research has revealed that cranberry reverses bacterial adhesion by 58% ("Cranberry and Dental Health").

Some of the study participants were aware of these potential health benefits. While 50% of the respondents in this study knew of the preventative properties of cranberries in urinary tract infections, only 15% were aware of any value in cancer inhibition. Thirty percent of those surveyed were not familiar with any of the health benefits of cranberries. This would seem to indicate the need for more effective educational messages regarding health benefits, especially in certain target markets. (See Table 4).

**TABLE 4**
**CONSUMER AWARENESS OF THE HEALTH BENEFITS OF CRANBERRY PRODUCTS**

| | |
|---|---|
| Prevents UTI | 50% |
| Inhibits Cancer | 15% |
| Provides vitamin C | 36% |
| Cardiovascular Aid | 14% |
| Not Familiar with Any Health Benefits | 30% |

As consumers become more and more health conscious, the preventative potential of cranberries should help to market cranberry products. Consumers aware of the health benefits of cranberries would be likely to purchase products such as the new functional beverages currently sweeping the market. Since these juices now include an array of vitamins and minerals, moms are happy to see their kids pick up a bottle of juice instead of soda. Not only can ad campaigns promote these health benefits, health clubs and fitness centers can also be used to disseminate information. Many fitness centers are moving towards having their own juice bars with nutrient-packed beverages. This emphasis on nutrition through food has launched what is now called the nutraceutical industry.

One group of retail outlets important to the nutraceutical industry is health food stores. This channel has traditionally experienced strong growth based on the continued expansion of independent health food stores and local, regional, and national health food chains. These outlets cater to consumers who desire product education, service, and high quality natural ingredients. There are approximately 10,000 health food stores in the United States, with their numbers continuing to grow ("Nutraceuticals: Part 1").

**NEW PRODUCTS/PRODUCT VARIATIONS**

All natural frozen Smoothies (a 100% blended fruit package in a typical frozen composite 12-oz. can) are predicted to increase the category of Smoothies by $1billion in sales. Pasco Brands Inc., based in Tampa, has seen the opportunities within the Smoothie category and manufactured the product on the private label side. The Director of New Product Development for Pasco says, "Smoothies have been the rage in recent years for people interested in refreshing, healthy, and natural fruit beverages." (Terreri) The concept of a more dessert-like treat with a healthy twist appeals to the growing health-wise consumer segment.

Companies such as Northland and Ocean Spray have addressed some of the needs of those health conscious consumers and now make calcium added juices. The calcium-added segment has been growing at 50% per year; while in comparison, categories such as not-from-concentrate (NFC) orange juice and juice blends are growing at only 10% per year (Terreri). Consumers have been very receptive to this concept of getting calcium in their food rather than making a conscious effort to add vitamins and minerals through supplements. The importance of calcium in preventing osteoporosis could certainly be linked to the value of these products.

An opportunity may exist in the combination of cranberries with other fruits that experience high popularity. Grape has been identified as this year's hottest flavor. There is an increasing awareness of the antioxidant benefit from grapes. While many cran-grape products do exist, there is potential to expand this flavor category. Any grape blend could draw consumer attention.

Another product category that is rapidly growing is sparkling water beverages. Cranberry and cranberry blends are potential flavors (Terreri). White cranberries, like white grapes, may open new markets as consumers look to "light" beverages both for health and diet purposes. Some new products by Ocean Spray will address these markets.

Baked goods, another segment of the cranberry market, shows promise for expansion. In this study, 29% of consumers indicate they would buy more baked goods if readily available at a reasonable price. While there are several ways to achieve this expansion goal, some opportunities exist locally. Jessica Nam, a graduate from Brown University, Rhode Island, has made quite the splash with her pastry line. Nam, President & CEO of Jessica's Wonders, sells her creative line of baked goods in Stop & Shop Supermarkets from North Kingston, Rhode Island to Boston, Massachusetts. Along with the help from Gold Medal Bakery, Nam plans to base her operation in New England, and then expand nationally. Contacts like Jessica Nam could help the cranberry industry capture a bakery line with innovative cranberry desserts that have the potential to become nationally known (Janusonins).

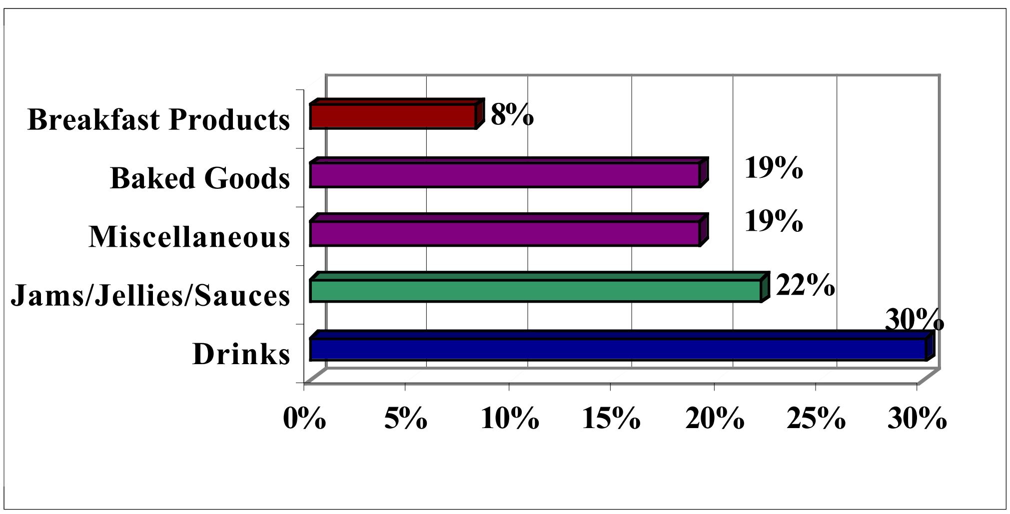
Consumers in this study were asked how likely they would be to purchase products that are either not currently available or not widely available. Their responses are summarized in Table 5. While virtually every product would be purchased more often if it were readily available, organic berries, organic juice, and frozen berries appear to be of interest to consumers.

**TABLE 5**
**PURCHASING BEHAVIOR**

| | CURRENTLY BUY | LIKELY TO BUY ($/availability) | MARKET POTENTIAL |
|---|---|---|---|
| Cranberry juice | 81% | 87% | +6% |
| Cranberry baked goods | 30% | 59% | +29% |
| Cranberry Jam/Jelly | 21% | 51% | +30% |
| Fresh berries | 15% | 50% | +35% |
| Dry snacks | 13% | 29% | +26% |
| Organic berries | | 32% | +32% |
| Organic juice | | 56% | +56% |
| Frozen berries | | 22% | +22% |

The respondents were also asked to propose cranberry products that they might like to see. Their responses are summarized in Table 6, which follows. Thirty percent of cranberry consumers have suggestions for new or improved beverage products. Some of these include low sugar/sugar-free juice, cranberry wine, cranberry lemonade, and an expanded variety of cranberry or cranberry blends of alcohol mixes. More than 20% of these cranberry consumers stated they would like to see more variations of cranberry flavored jams/jellies, unsweetened cranberry sauce, and cranberry condiments such as relish. Almost 20% of them suggested modifications of both baked goods and miscellaneous items. These consumers were interested in products such as cranberry popsicles, cranberry frosting, and chocolate covered cranberries. Virtually all of the baked goods suggestions displayed a demand for wider variations of baked cranberry products that already exist. Eight percent indicated they would like to see breakfast products including cranberry pop-tarts, cranberry waffles, and cranberry cereal bars.

**TABLE 6**
**CONSUMER SUGGESTIONS FOR POTENTIAL CRANBERRY PRODUCTS**




## NEW AGE/FUNCTIONAL BEVERAGES

The increasing consumer demand for healthful foods and beverages, coupled with scientific discoveries of ingredients that can produce specific outcomes, has led to the development of "functional foods and beverages". The functional food and beverage industry is just beginning to develop in the US, and some product categories have only one marketer while others have several. Functional beverages include bottled water, soft drinks/sodas, juices, fruit drinks, milk/dairy-based beverages, herbal drinks, mental enhancement drinks, sports/energy drinks, and teas ("Global Information Inc.").

These products often include claims on product labels and/or in product literature which identify the functions of these products. Among the actual listings are: mental enhancement, boost energy, dental care, increase bone health, soothe mouth/throat, help achieve weight control, increase nutritional value, meal replacements/snacks, help achieve aid for sports/fitness goals, help achieve diabetic goals, lower cholesterol, boost immunity, protects against major disorders such as heart disease/cancer, cell growth/brain development, and help with digestion/digestive problems. Certainly cranberry products could be considered functional and marketed in a trendy way to take advantage of this fashionable classification.

Consumers who are buying functional foods and beverages tend to be high-income, highly educated shoppers who are not price sensitive. Households with an annual income of $60,000 and headed by a college graduate purchase almost 40% of functional foods. These shoppers also tend to be younger, with smaller households that place a premium on convenience. They are likely to be physically active and are willing to experiment by taking nutritional supplements in a food and beverage delivery system (Spence).

**PACKAGING**

The new functional movement is utilizing basic marketing principles such as emphasizing the importance of packaging. Companies such as SoBe, Snapple, and Arizona are using colorful, hip bottles and interesting logos. SoBe has the Lizard logo and Snapple has gone back to the basics with Earth, Sun, Rain, and Fire, as the names of the individual drinks from their Elements line ("Out of Their Element"). Making bottle caps collectibles, and using them as game pieces has helped elevate sales of their bottled juice. These products have been embraced by the powerful young adult market, which migrates toward new and unique products and packaging.

While the "hip" packaging of SoBe and others attracts young consumers, private labels have appeal too. Private label products have moved from embarrassing for consumers to buy, to products that are consistent in product quality and enticingly priced. Compared to the old, very bland packaging of private label products, new packaging plays an important role in marketing these products (Terreri).

Some of the physical aspects of the single-serve bottle have also improved. Bottles of juice can now be resealed, as opposed to the cartons of single-serve milk on the market earlier that were not re-sealable ("Wisconsin Milk…"). "… the single-serve business is almost like the fashion business. There's an element of that 15-25 year old crowd that's thinking, 'What do I want to be seen drinking?'" (Weltman).

Single-serve juices and juice drinks now make up the country's largest category of non-carbonated beverages, with retail sales exceeding $5 billion ("Pepsi-Cola, Co."). Single-serve containers are 12-ounce or 16-ounce bottles that are marketed as convenience items. These smaller drinks attract consumers who often make impulsive decisions in convenience stores. "It's the one place when people are thirsty they grab something from the shelf and they don't care about the high price," says Pirko, President of BevMark LLC.

Both Northland and Ocean Spray offer single-serving bottles. Northland sells their 12-ounce bottles for around one dollar, while on average, their 64-ounce bottles of cranberry juice sell for $3.77. Although a good percentage of the money generated by single-serve beverages is taken by the convenience stores themselves, the single-serve beverages do generate higher profits than the larger packages. Ocean Spray has recognized the importance of selling single-serve beverages. According to one Ocean Spray executive, about half of the juice produced in the United States in consumed away from home and single-serve packages are the best way to reach that market.

Single-serve presents a growth opportunity for juice makers. Cranberry juice accounts for 26% of the nation's "shelf-stable" juice business which includes all juices that do not require refrigeration before they are opened. Cranberry juice however, accounts for just 7% of single-serve sales among shelf-stable juices.

Another option is to address the matter of re-defined "family" size. Traditionally, 24-ounces had been the "family" size, then 48-ounces, then 64-ounces. Although 96-ounce bottles are available now, 64-ounces seems to be key. It fits into people's lifestyles, which includes more juice consumption. The 64-ounce size also fits better in most family refrigerators (Weltman).

# CHAPTER 4
# THE MISSING MARKET: GENERATION X

The data in this study suggests that a full two-thirds of those who are not familiar with cranberry products are men from Generation X - 19-35 year olds. While this market appears to be fertile ground for many new and exciting cranberry products, it has been all but ignored.

Generation X is the moniker given to the group born after the Baby Boomers. While most agree that the Baby Boomers were the 76 million people born in the United States between 1946-1964, there is far less consensus on the definition of Generation X. Estimates of the birth dates range from 1961-1965, while their end point ranges from 1976-1981. Given the Baby Boomers are most often capped at the 1964 births, Generation X probably ranges from 1965-1981 ("X-Treme Marketing"). Using that definition, they account for approximately 60 million people, now age 19-35. Their spending power is estimated at close to $100 billion. Generation X is diverse- 70% white, 13% black, and 12% Hispanic (Howard).

Men outnumber women in this group. They also live at home with their parents longer and eat more fast food than their female counterparts. These men are the alcohol industry's heaviest drinkers, prefer individualistic rather than team sports, are educated, and computer savvy (Miller). They embrace family values, look for a balance between work and fun, and are naturally skeptical of advertisements. Generation X men are major consumers of health and exercise equipment, sporting goods and clothing for recreation and leisure. They drink beer, rum, tequila, and vodka, as well as the newer concoctions like Cider Jack Hard Cider and Mike's Hard Lemonade (Howard).

Typical promoting of cranberry juice has emphasized vitamin C or medicinal value for UTIs, which has appeal to mothers, middle age, and older consumers. Promoting cranberry juice as a power drink would appeal to Generation Xers. Extensions of this concept include creating power bars, Wheaties-type sports cereal, and energy snacks. Snacks could cross over to take advantage of the alcohol consumption patterns and include a beer nuts & cranberry mix, which might be sold in liquor stores or served in bars, as well as using the more traditional distribution venues.

New products in the liquor industry might include variations of Mike's Hard Lemonade or cranberry blends of Cider Jacks. Given the propensity of these consumers to drink vodka, pre-mixed cocktails combining cranberry juice and vodka might provide a potential market. Finlandia introduced their Artic Cranberry in a brilliant red color in a line called "fruit infusions." Variations on this theme should be pursued; there is currently a lack of pre-mixed juice cocktails available (Race). As the stagnant liquor industry looks for new ways to expand their markets, joint ventures with cranberry producers/manufacturers may be mutually beneficial.

Opportunities also exist through promotion of sporting events of particular interest to this market such as the Extreme Games or Gravity Games. Product endorsers from these games have proven very effective. Strategic alliances can also be beneficial. Becoming the "official power drink" of a sporting event could pay dividends. Product placements on TV shows with Generation X appeal, is also an effective way to communicate with the growing adult market. Comedy Central offers an array of shows that target this market, as does ESPN. Shows like Friends also enjoy a young adult audience (Howard). New television programming featuring the XFL specifically targets this market and would provide a quick connection with Generation X men.

This age cohort enjoys things that are new and different. The snowboard, for example, became a Generation X icon. They love humor. They love fun, hate routine, and are not into teamwork. They need creative stimuli and have extensive technical knowledge. Messages must be honest. Magazines that directly target the market include Wired, Juice, Spin, Rolling Stone, Buzz, Soma, and Raygun. All are written by young adults for young adults. These vehicles should be utilized in any effort to reach this market (Roberts).

As the cranberry industry looks to explore new markets, Generation X men would appear to be a viable target. They live a lifestyle that is amenable to many new and existing cranberry products. The challenge is to reach these consumers with quality products on their own turf. The reward comes in the form of a significant increase of in market penetration for cranberry products.

# CHAPTER 5
# SUGGESTIONS FOR FUTURE RESEARCH

Entering new markets can be a function of product innovation, distribution through alternative channels, consumer education, promotional strategy, as well as targeting particular consumer segments or niche marketing. Suggestions have been made in each of these areas in Chapter Three.

In order to implement any of these strategies, additional consumer studies are needed. The study presented here is exploratory in nature. Any leads garnered from the data should be specifically tested. The following studies might be considered:

- The Market Potential Among Young Adults for New Age Beverages and Premixed Cocktails Utilizing Cranberries
- Effective Health Messages Targeted at Mature Consumers
- An Investigation of the Potential for Market Presence In Health Clubs/Fitness Centers, Juice Bars, & Health Stores
- An Investigation of Alternative Channels for Juice Distribution (ie. Non-supermarkets)
- The Viability of a Concurrent Private Label Products Manufactured by Ocean Spray or others
- Potential for Community Supported Agriculture Arrangements in Massachusetts
- Investigate Possible Linkages With the Alcohol Industry
- Cultural Orientation and Cranberry Product Consumption

# CHAPTER 6
# RECOMMENDATIONS AND CONCLUSION

Many industries today face increased competition, technological challenges, and dramatically changing market dynamics. Some have experienced greater success than others as they attempt to navigate these difficult times. The following list of marketing strategies is gleaned from some of those who succeeded in making the adjustments necessary and being savvy about the future. Some of these strategies may already be in place, others may not be. The intention is simply to begin a dialog of possibilities that may be helpful given the enormous change occurring in all levels of the cranberry industry.

- Increase presence in the areas of baked goods, fresh berries, and jellies and jams.
- Pursue the potential indicated in this study for organic berries and organic juice.
- Introduce beverages under private labels or alternative brand names.
- Expand presence in the single-serve market.
- Consider additional outlets for the sale of cranberry products. Discount stores, outlet stores, drug as well as liquor stores, may expand audiences.
- Investigate the potential of new products. This study suggests a wide range of new products including cranberry popsicles and energy bars.
- Pursue a relationship with the alcohol industry. Trends in that industry may afford significant opportunities for product innovation.
- Study the possibility of targeting men between the ages of 19-35. This market may provide a new audience and stimulate product development.

- Advertise on the Internet by establishing Web sites. Like all other media formats, Internet users have distinct demographic and psychographic characteristics. Targeting them with appropriate messages continues to be challenging as that profile changes with the number of Internet users increasing almost exponentially. A well-designed Web site can offer product information, innovative recipes, and related pieces ranging from cooking tips to entertainment ideas. The interactive nature of the Internet allows a unique opportunity for communication between suppliers and consumers.

Beyond these suggestions, other industries have had some success with the following:

- Increase international expansion/export opportunities.

- Faster product innovation and repositioning of portfolios toward premium products.

- Form strategic alliances with potential opinion leaders in the music, entertainment & food industries.

- Promote positive image through use of scholarship, research grants, endowed chairs and sponsorship of outreach programs at colleges and universities.

- Strengthen brands through targeted promotion, product placement, etc., thereby increasing demand and decreasing brand vulnerability.

- Maximize demographic trends favorable to the industry through use of relationship marketing strategies.

- Invest in ongoing and integrated marketing efforts to reach consumers at the retail level. This effort should include primary research, direct communication to support public relations, media penetration, and a mechanism for consumer feedback in an innovative way.

**CAUSE -RELATED MARKETING**

One of the most widely used and successful marketing strategies of the 1990s is "cause-related" or joint venture marketing. It is particularly useful in promoting a positive image while making a personal connection with consumers.

In 1981, American Express entered into an agreement with the not for profit Statue of Liberty/Ellis Island Foundation. For every new American Express card issued, money would be donated to the restoration project. This marked the first national joint venture marketing campaign of this type in the United States. The designation of this relationship as "cause-related marketing" was registered by American Express with the United States Patent Office as a service mark.. The campaign resulted in $1.7 million donated to the foundation and an increase in American Express card usage of 28%.

Since then, there have been literally hundreds of these relationships including Proctor & Gamble and Special Olympics; Burger King and the March of Dimes; and Campbell Soup and the Literacy Foundation. Just recently, Coca-Cola announced that their beverage division is adopting a cause-related marketing (CRM) drive for its vending operation on a trial basis in England. The Royal National Institute for the Blind will receive money for every can sold from specially labeled machines. This marked the first venture of CRM campaigns into the self-service arena.

Articles about these campaigns have covered the pages of most leading newspapers and trade publications. Marketing and business journals have been detailing the advantages, disadvantages, and possibilities for these relationships. A definitive article on the subject offered the following definition: "*Cause-related marketing occurs when a company promises to make a charitable contribution contingent on a customer purchasing something from the firm*" (Varadarajan). The authors make it clear that cause-related marketing is a partnership that is mutually beneficial to both parties.

There are three components of a typical CRM campaign. The for-profit business partner lends its promotional expertise and one or more of its products as a focal point of the campaign. The not for profit partner contributes it's name, image, and audience. If consumers purchase the product, both partners reap rewards. The consumer also realizes those emotional rewards of facilitating a donation to a worthy cause.

Cause-related marketing has proliferated in the past decade. To date, there is scant evidence of the strategy being risky or unproductive. On the contrary, CRM is said to be one of the most successful promotional strategies in recent memory.

## CONCLUSION

All indications are that the cranberry industry will face difficult challenges in the years ahead. These challenges include all the market dynamics discussed in this study as well as constant concern with production issues.

It would be prudent to monitor both the issues relating to cranberry production and those relating to market dynamics. Original research that focuses on different aspects of the industry would help to illuminate potential problems and opportunities. Marketing research involving consumers - especially those under 35 - in conjunction with data on successful strategies from other industries with this group would be invaluable.

All the findings in this study support the reality that the market potential includes two segments. These segments are made up of current cranberry consumers and those who make up the "Missing Market," Generation X males. Eighty-four percent of those surveyed are currently using cranberry products. These consumers however, indicated they could increase their consumption. In addition, the current literature on beverage trends suggests product variations, single-serving size bottles, trendy packaging, educational health information, availability in new channels, and Community Supported Agriculture will all be part of the effort to reach these consumers.

The Generation X segment is the key to addressing the non-consumers. Data in this study demonstrates that the 16% of consumers not currently using cranberry products are fairly homogeneous. Most are young men between the ages of 19-35. The liquor and sports/health industries will be key factors in marketing towards these consumers. Generation X's spending power is estimated at close to $100 billion. Note that Generation X men are also major consumers of health and exercise equipment, including power drinks and sports bars.

The industry needs to continue investigating and studying its options. While no one can predict the future, one must attempt to develop strategies for doing business in a variety of potential environments. This report is offered as a tool to help better understand the present and thrive in the widest range of possible futures.

Industry change is inevitable. Managing that change will be a challenge for all those involved in the cranberry industry.

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