2017 National Agri-Marketing Association Student Competition
Executive Summary

HEARTBEET
VODKA

Presented by Gopher Marketing:
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Advisor: Ward Nefstad
INTRODUCTION
Minnesota: the land of 10,000 lakes, the state of hockey and the number one producer of sugarbeets in the United States. Sugarbeets are used in everything from soda to cereal, and now vodka. Farmers are looking to add value and find a new purpose for their sugarbeets, and Heartbeet Vodka holds the key.

Heartbeet Vodka will have an established relationship with grower-owned Clearwater Cooperative to add value to Minnesota sugarbeets. Molasses is a sugarbeet by-product that offers minimal value to farmers. In order to increase farmers' revenue, Heartbeet Vodka will be distilled from sugarbeet molasses. Sold exclusively within the borders of Minnesota, Heartbeet Vodka brings a gluten-free sipping experience to local product loving Minnesotans. These Everyday Experiencers can enjoy this vodka in both the comfort of their home and in their favorite neighborhood bar.

MARKET ANALYSIS

Industry Trends
Consumers are moving their preferences to locally produced craft spirits, making the outlook for the craft spirit market promising.

Craft Spirit Industry
• The craft spirit industry is booming. In 2015, the craft spirit market achieved $2.4 billion in sales.\(^1\)
• The market share of craft spirits is rapidly growing. In 2015, craft spirits had a 2.2% market share with an annual growth rate of 27.4%.\(^2\)

Vodka Sales
• Vodka is the leading white spirit consumed. Vodka's share of volume makes up 59% of the overall white spirit market.\(^3\)
• Sales of vodka are increasing. In 2016, vodka sales revenue grew by $175 million and the total revenue for 2017 is projected to be $14.96 billion.\(^4\)

Sugarbeet Production
• Minnesota is the top producer of sugarbeets in the United States. In 2016, Minnesota produced 12.5 million tons of sugarbeets.\(^5\)

Consumer Habits
• Millennials regularly purchase drinks from bars and restaurants. 69% of millennials consume alcohol outside the home on a weekly basis.\(^6\)
• People are enjoying cocktails at home. 79.4% of people consume and enjoy spirits at home.\(^7\)
• Consumers purchase based on appearance. More than 50% of purchasing decisions are made while looking at the liquor shelf.\(^8\)

Primary Research

Consumer Survey
Gopher Marketing surveyed 403 individuals over the age of 21 regarding their alcohol purchasing habits.\(^7\) Among individuals that purchase alcohol:
• 69% purchase vodka
• 54% are likely to buy a new brand of vodka
• 90% of vodka drinkers would try a vodka distilled from sugarbeets
• 42% would be willing to pay $24.99 for a premium bottle of vodka

Consumer Taste Test
Gopher Marketing conducted a taste test of 12 individuals, of which eight were between the ages of 21-24 and four were 35-44.\(^8\) Individuals tasted Heartbeet Vodka as well as the other top five competitors.
• Heartbeet Vodka was rated best drinking experience
• Heartbeet Vodka was rated best in aftertaste
• Heartbeet Vodka was rated best in texture
• Heartbeet Vodka was rated second in flavor and aroma

Primary Research Notes:
Competitive Analysis

While competitors exist in this market space, none compare to the quality and great taste of Heartbeet Vodka. In Minnesota, there are five premium priced craft vodka brands and one craft vodka distilled from sugarbeets, BET. Since BET’s price is significantly higher than the price of Heartbeet Vodka, it is an indirect competitor.

The craft vodka market is relatively young as the oldest competing brand, Prairie Organic, is only nine years old. Since the Minnesota craft market is still developing, there is room for Heartbeet Vodka to enter the market and thrive.

<table>
<thead>
<tr>
<th>Heartbeet Vodka</th>
<th>Norseman</th>
<th>Du Nord</th>
<th>Skaalvenn</th>
<th>Prairie Organic</th>
<th>Tattersall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gluten-free</td>
<td>✅</td>
<td></td>
<td></td>
<td>✅</td>
<td></td>
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<tr>
<td>Ingredients on bottle</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<tr>
<td>Established Reputation</td>
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Goal

Heartbeet Vodka will enter the hearts of thousands of Minnesotans, establishing allegiance and becoming the leading craft spirit within the borders of the land of 10,000 lakes.

Strategy Statement

Heartbeet Vodka meets the desires of Everyday Experiencers, creating connections to their roots by providing a premium, handcrafted spirit that is grown and distilled locally in Minnesota.

Key Planning Assumptions

1. Consumers will continue supporting and purchasing local craft spirits.
2. Clearwater Cooperative will have established relationships with sugarbeet growers, as well as the distillery and distributor.
3. The vodka market will continue to grow, reaching a revenue of $15.60 billion in 2020.
4. Heartbeet Vodka will be distilled from a proprietary formula and a consistent process.
5. Vodka will continue to be the market leader in the spirits category.

Objectives

- Achieve 30% brand awareness amongst the target market by end of year one.
- Obtain a 21% market share within the Minnesota craft vodka market by end of year two.
- Reach a net profit of $147,000 by end of year three.

Business Proposition

Heartbeet Vodka

By investing in Heartbeet Vodka, Clearwater Cooperative is adding value to the sugarbeet by-product, molasses. Heartbeet Vodka will help Minnesota sugarbeet farmers diversify their business and provide them with a new source of revenue.

Grown by farmers, sold by farmers, Heartbeet Vodka is a white spirit distilled from sugarbeet molasses. Sold in Minnesota bars, restaurants and liquor stores, this craft spirit provides Everyday Experiencers with a journey back to their roots.

Market Segments

Millennials make up the largest segment of craft spirit consumers. The Twin Cities is home to 1.26 million millennials and 63% were born within the state and feel strong ties to Minnesota. They are also relocating to Minnesota as Forbes named the Twin Cities the tenth best U.S. city for young professionals.

Target Audience

The primary target audience for Heartbeet Vodka is Everyday Experiencers. These young people value experiences and are 21-34 years old living in or visiting Minnesota. Everyday Experiencers have an active daily social life attending local events, going to concerts and meeting friends for drinks. These individuals spend a large proportion of their disposable income on dining out experiences. In the past 30 days, 68% have spent $100+ at a sit-down restaurant. While purchasing liquor, these Everyday Experiencers are the first to try new products and make an effort to buy local.

Everyday Experiencers

- 21-34 years old
- Shops for local products
- Enjoys trying new things
- Dines out regularly
- Spends a large portion of disposable income on entertainment

* Simmons Data: Spring 2014 NHCS Adult Study 06-month.
**Action Plan**

**Product & Positioning**

*Heartbeet Vodka* is distilled from Minnesota grown sugar beets and brings a local product to the vodka shelf. *Heartbeet Vodka* is gluten-free and is made with only three ingredients. It is packaged in a clear, 750 ml glass bottle.

A key differentiator is *Heartbeet Vodka*’s commitment of being true to its roots. The bottle design communicates this with its back label that lists all ingredients and the location of where the sugar beets are grown, with the tagline “We Love Our Roots” on the front.

*Heartbeet Vodka*’s unique design and non-traditional ingredients will tempt Minnesotans to try the product. It’s great taste and responsible sourcing will fuel their repeat purchases.

**Price**

**Retail Price**

In store, *Everyday Experiencers* can purchase a 750 ml bottle of *Heartbeet Vodka* for a suggested retail price of $22.99.

**Wholesale Price**

*Heartbeet Vodka* will be sold in a six bottle case for $103.46, making the wholesale price of a 750 ml bottle $17.24.

**Place**

**Sales Locations**

Through the partnership with the distributor, BreakThru Beverage Group, *Heartbeet Vodka* will be distributed throughout the Twin Cities area and into greater Minnesota. It will be sold at both on and off-sale locations including bars, restaurants and liquor stores. In year one, *Heartbeet Vodka* will be sold at 295 locations. In year two, *Heartbeet Vodka* will expand distribution and be sold at 387 locations. In year three, *Heartbeet Vodka* will be sold across the state of Minnesota at 500 locations.

**Geo-Targeted Marketing**

First year marketing tactics will target *Everyday Experiencers* living in the Twin Cities area. In the second and third year, marketing tactics will extend into other regions of the state that have large populations of *Everyday Experiencers* including Duluth, Moorhead and Rochester.

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**Supply Chain**

Clearwater Cooperative has established five steps in the supply chain to deliver a local product to the Minnesota craft spirit market. Holding true to the transparent nature of *Heartbeet Vodka, Everyday Experiencers* will be able to trace their craft drinking experience back to its roots.

**Growing**

Sugar beets are grown in Central Minnesota.

**Processing**

Sugar beets are then processed at the Clearwater Cooperative.

**Distilling**

A distillery makes the vodka from sugar beet molasses.

**Transporting**

Product is brought to the distributor.

**Distributing**

Product is distributed throughout Minnesota.
**Promotion**

Heartbeet Vodka's promotional strategy will create excitement and build demand for the product. Promotion tactics will feature Heartbeet Vodka in Everyday Experiencers’ daily adventures.

**Venues & Events**

**Minnesota Festivals & Events**
- Heartbeet Vodka will be present at local festivals and events, handing out coasters with cocktail recipes to encourage Everyday Experiencers to get back to their roots.

**Heartbeet Happy Hour**
- Incentivize bars to offer Heartbeet Vodka cocktails as happy hour specials during large events such as the 2018 Superbowl, 2019 NCAA Final Four and headliner concerts.

**Heartbeet Brunch**
- Bloggers and avid social media users, who frequent the ever-growing Twin Cities brunch scene, will share their brunch cocktail experience using #heartbeetofMN.

**Online Advertising & Social Media**

**Website**
- www.heartbeetvodka.com will bring the brand personality to life by sharing the product story, information about upcoming events, drink recipes, video series and a product purchase locator.

**Social Media**
- Heartbeet Vodka will have Instagram and Facebook pages. The accounts will build a community of followers by sharing engaging content using #heartbeetofMN. Sponsored posts will also be used to grow the number of page followers.

**SEO & Google Ads**
- Heartbeet Vodka will work with a digital agency to maximize online visibility through search engine optimization and purchasing Google adwords.

**Snapchat Filters**
- For all Heartbeet Vodka events there will be a corresponding geo-filter.

**Traditional Advertising**

**Video Series**
- Heartbeet Vodka will create a “We Love Our Roots” video advertisement series that will appeal to Everyday Experiencers.

**Sunday Sampling**
- To celebrate Minnesota recently passing a law allowing Sunday liquor sales starting July 2017, Heartbeet Vodka will sample product in-stores, rotating to a new location each Sunday.

**Aisle Invaders**
- To draw attention to Heartbeet Vodka in stores, aisle invader will be used to call out the product on shelves.

**Billboards**
- In the urban neighborhoods that Everyday Experiencers live and work, Heartbeet Vodka will be featured on billboards with eye-catching designs.

**Public Relations**

**Influencers**
- Heartbeet Vodka will work with local food and drink influencers who have a large social media following of Everyday Experiencers. Influencers will feature Heartbeet Vodka cocktails at different bars and restaurants to drive foot-traffic and sales.

**Media Kits**
- News station, newspaper and magazine editors will be sent personalized Heartbeet Vodka bottles with a media kit. Establishing relationships from the beginning will help secure future coverage.

**Bike MS 150**
- Heartbeet Vodka will sponsor rest stops along the 150 mile bike course. During the weekend-long event, more than 3,000 cyclists bike through greater Minnesota raising money for Multiple Sclerosis research.

**Marketing Budget**

<table>
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<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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<tbody>
<tr>
<td>Minnesota Festivals &amp; Events</td>
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<td>Snapchat Filters</td>
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<td>Media Kits</td>
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<td>Bike MS 150</td>
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<tr>
<td><strong>Total</strong></td>
<td>$183,150</td>
<td>$184,300</td>
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**Financials**

**Cost of Production**

Using the sugarbeet by-product, molasses, as the main input, each six bottle case of **Heartbeet Vodka** will be distilled at a cost of $48, with an added distribution cost of $13 per case.

**Sales & Profitability**

The wholesale price for a six bottle case of **Heartbeet Vodka** will be $103.24. This premium price will allow **Heartbeet Vodka** to capture 16% of the Minnesota craft vodka market in year one with sales reaching nearly $600,000.

Through marketing tactics, **Heartbeet Vodka** will reach 21% market share in year two, boosting sales by nearly $250,000. By the end of year three, **Heartbeet Vodka** will secure 27% market share, resulting in $1.2 million in sales with a 12% profit margin.

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
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<tbody>
<tr>
<td><strong>Sales</strong></td>
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<tr>
<td>Price Per Case</td>
<td>$103.24</td>
<td>$103.24</td>
<td>$103.24</td>
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<tr>
<td>Cases Sold</td>
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<td>Gross Sales</td>
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<td>Excise Tax</td>
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<td>Net Sales</td>
<td>$595,158</td>
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<td>Cost of Goods Sold</td>
<td>$380,306</td>
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<td>Gross Margin</td>
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<tr>
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</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
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<tr>
<td>Salaries</td>
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<tr>
<td>Marketing Expenses</td>
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<tr>
<td>Other Operating Expenses</td>
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<td>Profit Margin</td>
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<td>5.64%</td>
<td>12.34%</td>
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<tr>
<td>Market Share</td>
<td>16%</td>
<td>21%</td>
<td>27%</td>
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**Monitoring & Measuring**

Monitoring and measuring efforts gauge product performance relative to pre-established business objectives. Contingency planning evaluates success of the product’s entrance to the Minnesota craft spirit market. **Heartbeet Vodka** will continually evaluate business financial conditions, marketing campaign effectiveness and customer satisfaction to meet these objectives.

**Brand Awareness**

**Objective:** Achieve 30% brand awareness.

Analyze media platform data and conduct consumer surveys.

- **Meeting objective:** Boost successful marketing strategies.
- **Not meeting objective:** Restructure promotional activities.

**Market Share**

**Objective:** Obtain a 21% market share.

Evaluate financial statements and industry trends.

- **Meeting objective:** Explore product extensions.
- **Not meeting objective:** Reallocate marketing dollars to increase product samplings and coupons.

**Profitability**

**Objective:** Reach a net profit of $147,000.

Review monthly volume sales.

- **Meeting objective:** Expand distribution to the greater Midwest and increase production in targeted areas.
- **Not meeting objective:** Adjust distribution and reevaluate sales techniques according to demand.

**Conclusion**

As Minnesota millennials seek a more local vodka drinking experience, Gopher Marketing will strategically position **Heartbeet Vodka** to capitalize on this opportunity. Gluten-free, local and distilled from Minnesota grown sugarbeets, **Heartbeet Vodka** will establish itself as Minnesota’s most trusted and desirable vodka for thousands of **Everyday Experiencers**.