



BEAN
CREAM OF THE CROP



Soy Cream Liqueur



2020 National Agri-Marketing Association (NAMA) Student Marketing Competition Executive Summary

Presented by the University of Guelph CAMA Student Chapter

Isabelle Aicklen, Evan Chaffe, Tyler Cronin, Faith Fullerton, Vera Hoogendoorn, Colton Klein,
Tuesday Kristiansen, Radine Kruisselbrink, Hannah McMullin, Sean Mitchell, Olivia Noorenberghe,
Bryce Ribey, Emma Richards, Owen Ricker, Matthew Terpstra

Introduction

For millennia, soybean farmers have used the number of beans in a pod to reflect the quality of their crop. Three beans are desirable, four beans are quite notable, but pods containing five beans are exceptionally rare. 5th Bean is the world's first soy-based cream liqueur. Just like a fifth bean exemplifies a bumper crop, 5th Bean cream liqueur will be the cream of the crop in the liqueur market.

Soy-Stainable Distilling is a company founded in Southwestern, Ontario that has expanded the alcohol distilling industry while reducing waste. There is the opportunity for Soy-Stainable Distilling to use its alcohol in conjunction with alternative milk sources to produce a vegan cream liqueur unlike anything the market has seen before.

5th Bean is a premium cream liqueur product that can be enjoyed on ice, in a hot beverage, or incorporated into a decadent dessert. The founders of 5th Bean wanted to create a high-end cream liqueur product that is sustainable and shares the same crops they grow in a new way. As farmers themselves, they wanted a product that reflects their agricultural values. They wanted to create something that people look forward to on ice cream after a fun dinner with their friends, or in a mountain top chalet after hitting the slopes.

5th Bean fills a void in the cream liqueur market for Soy-Stainable Distilling. 5th Bean is produced using the highest quality, locally sourced soy whey, a by-product of tofu production, and carefully selected non-GMO soy cream. Accordingly, 5th Bean is an outlier. Just as farmers used the fifth bean to indicate an outstanding yield, we know you'll relish our 5th Bean liqueur.



Market Analysis

Trends, Market Size and Potential

- **37%** drop in fluid dairy consumption since 1970¹
- **16%** of Canadians are lactose intolerant²
- **32%** of Canadians have adopted special diets³
- **80%** of North Americans prefer to buy local products⁴
- **2.5%** annual growth rate of cream liqueurs sold⁵
- **91%** of consumers are willing to try a new cream liqueur product⁴
- **50-60%** of yearly sales for some cream liqueur brands occur in the winter months⁶

In 2016, the liqueur market was valued at \$111 billion dollars and is expected to grow to \$131 billion by 2023⁵. Currently the cream liqueur market sells 3.5 million liters of cream liqueur in Ontario annually, and the average cream liqueur drinker consumes approximately two bottles of cream liqueur per year⁸. It is projected that 5th Bean will reach a target market of 1.7 million consumers across all sales regions in our three year marketing plan.

Customer Profile, Market Segments

Consumers are increasingly aware of product quality and how their purchases are impacting their ecological footprint⁴. 5th Bean aligns with consumers who are concerned with seeking environmentally sustainable products that offer the highest quality. The identified target market, the Cream Liqueur Connoisseurs, are individuals over the age of 25 who have tried cream liqueur and would be interested in trying a new cream liqueur product⁴. Cream Liqueur Connoisseurs seek products with quality ingredients that are taste-fulfilling and locally produced⁴. In addition to these core values, 5th Bean also delivers through Soy-Stainable Distilling's commitment to non-GMO and environmentally sustainable production.

There are two distinct groups among the Cream Liqueur Connoisseurs: the Eco Seekers and the Luxury Leaders.

Eco Seekers

Rachel is a young millennial living in the Liberty Village neighborhood in Toronto, Ontario

- She works as an Urban Planner and spends her evenings teaching yoga classes
- On the weekends Rachel visits the farmers market to shop for local products
- Rachel is committed to buying environmentally sustainable products and is willing to spend more of her income on products that meet this need



Luxury Leaders

Mark and Christine are a couple living in the Olympic Village area of Vancouver, British Columbia

- Christine is a Financial Advisor and Mark works as a Senior Software Consultant, both are entering the later stages of their careers
- They are craft beer enthusiasts and enjoy visiting craft breweries and distilleries in their spare time
- As a couple they are avid skiers and they vacation often in Whistler, British Columbia in the winter months



Need

Overall, the North American consumer is changing purchasing habits towards companies and products that promote environmental improvement and sustainability⁴. 5th Bean fills this need by offering a lactose-free product that utilizes food waste from tofu production alongside a process that reduces water-use by 85%, creating the world's first premium soy-liqueur.

Primary Research

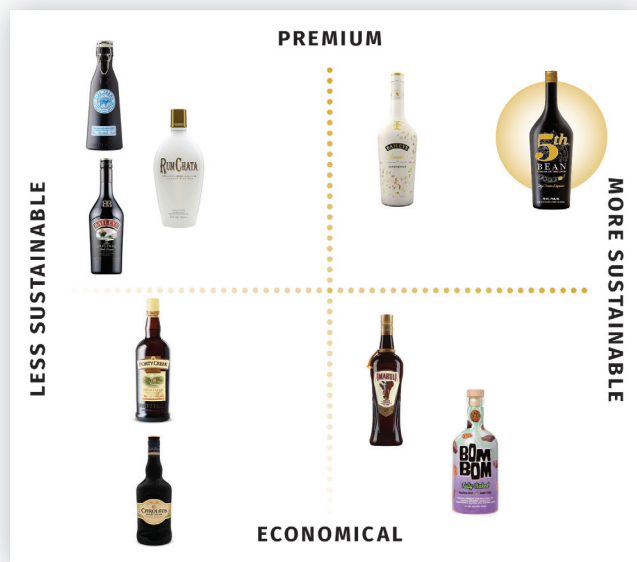
In early 2020, Gryphon Consulting Group conducted primary research surveying 500 individuals. Respondents were asked several questions regarding their socio-economic background, experience with cream liqueur, and preferences in terms of purchasing local and environmentally sustainable products.

- **80%** of respondents identified as individuals who are over the age of 25, consume alcohol, have tried cream liqueur previously, would be interested in trying a new cream liqueur product and who prefer local products⁴
- **18%** of the target market are individuals between 25-34, who search for products that align with their eco-conscious values⁴
- **17%** of the target market are individuals between 45-54 whose purchase decisions are less constrained by income and who search for products that fulfill social acceptance and align with current trends⁴
- When evaluating product attributes, respondents placed the highest value on locally produced, non-GMO and sustainable production⁴

Competitive Analysis

5th Bean is unique in that it is the first cream liqueur in the market to utilize tofu by-products in its alcohol production. This gives 5th Bean a distinct advantage among its competitors which exist in both the plant-based cream liqueur and traditional cream liqueur markets.

5th Bean's primary competitive advantage lies in its sustainable production process, rich flavor profile and utilization of locally sourced products. By utilizing improved production processes and supply chain efficiencies, 5th Bean reduces water consumption and greenhouse gas emissions by 85% and 38%, respectively, while also reducing food waste products. The following product placement map demonstrates how 5th Bean's premium pricing strategy and sustainable attributes separates it from the competition.



SWOT Analysis

Strengths

- Locally sourced products
- Less water to produce
- Eco-friendly
- Highly scalable across regions

Weaknesses

- Distilling of liquid tofu whey is not proprietary
- Marketing efforts will be required to establish brand presence

Opportunities

- First vegan soy cream liqueur on the market
- Growing demand for dairy free alternatives⁹

Threats

- Crowded cream liqueur market
- Potential competitor imitation and entry of new vegan cream liqueurs on the market

Other Key Factors Affecting the Market

5th Bean will abide by legal and regulatory standards in each of the regions where 5th Bean will be sold. In addition, 5th Bean will also adhere to the required labelling standards and liquor regulations.

Ontario

The Liquor Control Act authorizes the Liquor Control Board of Ontario (LCBO) to control the sale, transportation and delivery of all alcoholic beverages in Ontario.

While there are market barriers to entering the LCBO, product approval will allow access to a network of stores that have consistent retail expectations. Specific product calls for acquiring alcohol will be favorable to new products such as 5th Bean.

British Columbia

Products intended for distribution and sale in British Columbia must be registered for sale in British Columbia with the Liquor Distribution Board's (LDB) Wholesale department and they must obtain a listing with BC Liquor Stores¹¹.

New York City

In order to retail 5th Bean in New York State, the product must adhere to guidelines set by the New York State Liquor Authority. This includes ensuring that 5th Bean is operating within the legal constraints prescribed by the New York State Liquor Authority as it pertains to the manufacturing and distribution of alcohol with New York state.

Overall Benefit to Producer

5th Bean provides Soy-Stainable Distilling with a new opportunity for diversification within the alcohol industry. It capitalizes on the growing demand for sustainable food products, and the consumer's desire for locally sourced products. 5th Bean also offers benefits to the soybean producer by utilizing 62 pounds of soybeans to produce each 750 mL bottle. Overall, 50,372,520 pounds of soybeans will be demanded, resulting in approximately \$9,335,165 for producers in Ontario, British Columbia and New York. This brings new opportunities for domestic use of soybeans, thus driving consumer demand, prices and profits for growers. Additionally, value will be added to the tofu production chain through compensation for soy whey that would otherwise be disposed.

Business Proposition

Product Description

With 5th Bean, we invite you to rethink cream liqueur. Starting with choice non-GMO soybeans, we use sustainably distilled soy alcohol to bring you a rich tasting, full-bodied beverage. With hints of chocolate, caramel, coffee and whiskey, it can be enjoyed however you choose knowing that beyond being delicious, it is a local product made with our planet in mind.

Key Planning Assumptions

- All appropriate ingredients can be sourced near production sites to maintain our dedication to producing a local, premium product.
- The product will remain consistent in taste and quality across all production sites.
- Market statistics can be extrapolated across different jurisdictions proportional to population size.
- We will fulfill all required laws for marketing, distribution, packaging and production of alcohol in each of our jurisdictions.

Objectives/Goal

5th Bean's goal is to provide our target market with a novel product that offers a fresh take on cream liqueur while delivering the familiarity of traditional products. This allows 5th Bean to dually appeal to new and existing consumers alike while being sustainable and locally produced.

Strategy Statement

Soy-Sustainable Distilling's mission as a company is to produce products that are consistent with a circular food system by utilizing waste products from the tofu industry. The culmination of this mission will be that 5th Bean appeals to a diverse market by being at the forefront of consumer trends while sourcing ingredients and producing products locally.

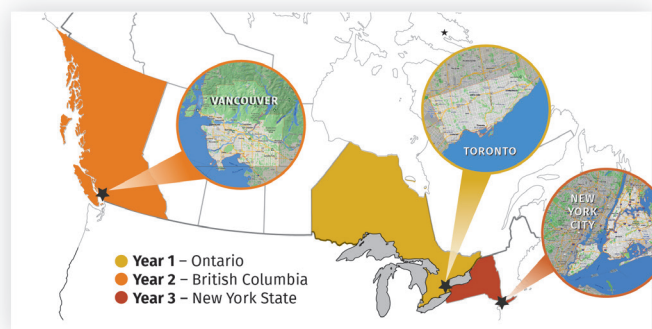
Action Plan

Product and positioning

5th Bean is produced with high quality ingredients and is positioned to reflect locality, sustainability and luxury.

Place

5th Bean will reach large and diverse populations throughout Ontario, British Columbia and New York City.



Year 1 | The product will initially launch in Southern Ontario to leverage the concentrated population of target customers that reside in the greater Toronto area (GTA), which is the 4th largest urban population in North America¹⁰. 5th Bean will initially enter approximately 25 LCBO stores in the GTA. In each consecutive year, we project that 5th Bean will enter an additional 25 LCBO stores in Southern Ontario.

Year 2 | In Year 2, 5th Bean will be launched in British Columbia in cities such as Vancouver, which have a significant target population who are aligned with 5th Bean's values. Using the British Columbia Liquor Distribution Network, 5th Bean will have the potential to reach 197 BC Liquor stores in the Vancouver metropolitan area with the expectation of entering 20 stores in Year 2 and an additional 20 stores each year to follow.

Year 3 | Year 3 will bring expansion into New York City through an alcohol distribution agency that will have access to 50 stores. New York is in close proximity to Toronto and is a large market which is demographically and culturally similar to what will be 5th Bean's pre-existing markets.

Price

High value and quality come at a premium price. In order to be competitive in the marketplace, a premium pricing strategy will be applied. 5th Bean will be sold in 375 mL and 750 mL bottles, to retailers at a wholesale price of \$9.20 CAD (\$6.60 USD) and \$17.00 CAD (\$12.19 USD). This will result in a 55.2% margin for Soy-Sustainable Distilling. 5th Bean has a suggested retail price of \$20.85 CAD (\$14.97 USD) for the 375 mL bottle, and \$33.99 CAD (\$24.40 USD) for the 750 mL bottle. This will result in a retailer margin of 55.9% and 50% respectively.

PROMOTIONS

The 5th experience promotional plan will encompass five main aspects: Mixing it up in the Media, Pouring Out the Print, Cultivating Connections, Sowing Quality Partnerships and Giving Back the Beans. The goal of these initiatives is to develop relationships and establish 5th Bean as a unique cream liqueur option. Due to the seasonality of this product, the 5th experience will be heavily targeted towards the fall and winter months.

1 Mixing It Up in the Media

Reaching our target market through media platforms they use daily.



- **Social Media** platforms such as the 5th Bean website, Facebook, Pinterest, Twitter (@5thBean), and Instagram (@5thBean) accounts will share exciting 5th Bean news, provide drink and dessert recipe ideas, feature events and photos to build overall consumer awareness.
- **The 5th Bean Challenge** is a way to interact with consumers, create brand recognition, as well as support restaurants whose values align with ours. When customers visit one of our five chosen restaurants and post a picture of them consuming 5th Bean using the hashtag #My5thBean, they are entered into a draw to win a two person weekend getaway to Blue Mountain Ski Resort in Collingwood, Ontario. There will also be four 5th Bean Prize Packs up for grabs.
- **Hosts of Television** shows such as Good Day New York, Citytv Vancouver and Toronto, and the Marilyn Denis Show will be provided with a 5th Bean mug for display during broadcast. Hosts will also participate in live mixology sessions to provide dessert and drink ideas for viewers to make themselves.

2 Pouring Out the Print

Reaching our target market through traditional marketing methods.

VegNews **CHATELAINE** **bon appétit**

- **Magazines** which promote our brand with drink and dessert recipes
 - **VegNews** is a North American magazine featuring content relating to veganism, recipes, vegan products, global events and more. 5th Bean will have double-page spread in both the Best of Vegan Issue and the Holiday Issue.
 - **Chatelaine** is a Canadian women's lifestyle magazine featuring the best recipes, advice, inspired ideas for everyday living. 5th Bean will have a one-page feature in the spring sustainability issue and the holiday issue.
 - **Bon Appétit** is a monthly American food and entertaining magazine, that contains recipes, entertaining ideas, and wine reviews. 5th Bean will have six one-page features throughout the year.
- **Recipe Cards** will hang around the neck of each bottle with a food or drink recipe.
- **Point of Purchase** materials including shelf tags will be provided to retailers to build in-store brand awareness.



4 Cultivating Connections

Targeting the Cream Liqueur Connoisseur through events and interactive experiences.

- **"Test the Taste"** flavor competition will occur in Year 2 and Year 3. It will create a fun, challenging experience that connects consumers through an interactive flavor competition.



- **Sampling** at LCBO stores to gain new customers by having them try the product.



- **Eataly** is a culinary experience located in Downtown Toronto and New York that encompasses sustainable high-quality food at reasonable prices. It is a multi-functional marketplace which will offer **cooking classes** and **mixology sessions** using 5th Bean, with the opportunity to purchase the product onsite afterwards.



- **Festivals** such as Vegandale Food Fest and Toronto Christmas Market in Toronto, Veg Expo and Vancouver Christmas Market in Vancouver, and Vegandale Food Fest and Union Square Holiday Market in New York City.

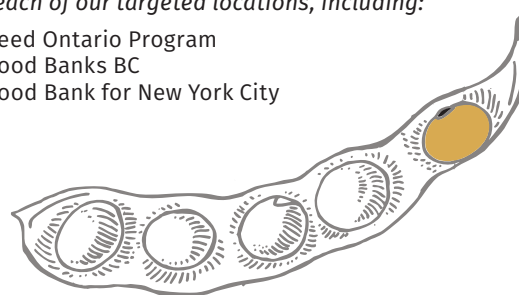


- Presence at popular **winter destinations** in restaurants and pop-up events at resorts such as Blue Mountain (Ontario), Whistler (British Columbia), Killington Mountain Resort & Ski Area (Vermont).

5 Giving Back the Beans

As a part of the "Giving Back the Beans" initiative, one percent of annual profits will be donated to Food Banks at each of our targeted locations, including:

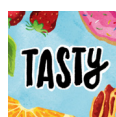
- Feed Ontario Program
- Food Banks BC
- Food Bank for New York City



3 Sowing Quality Partnerships

Develop outstanding relationships with reputable stakeholders that grow quality partnerships.

- **MasterChef Canada** and **MasterChef** are competitive cooking shows where amateur and professional chefs create dishes with a variety of ingredients. 5th Bean will be featured as an ingredient for an episode to create consumer awareness and promote the versatility of the product.
- 5th Bean will have two **social media influencers** with a large following in our target areas. Each influencer will be invited to write blog posts, attend events and share their culinary creations using 5th Bean, to inspire followers to purchase the product.
- 5th Bean will develop partnerships with well-known **social media pages** such as the Topsy Bartender and Tasty.



Financial Evaluation Monitoring & Measuring

Soy-Sustainable Distilling will produce each 375 mL bottle of 5th Bean for an average production cost of \$4.12 CAD (\$2.95 USD), and each 750 mL bottle for \$7.62 CAD (\$5.46 USD). 5th Bean will be sold to retailers at a wholesale price of \$17.00 CAD (\$12.19 USD) for the 750 mL bottle and \$9.20 CAD (\$6.60 USD) for the 375 mL bottle, delivering a 55.2% gross margin for Soy-Sustainable Distilling.

5th Bean expects a market penetration in Year 1 of 2.5%, growing to 13.5% and 25% in Years 2 and 3, respectively. In Year 1 approximately 32,170 liters are projected to be sold, generating a \$200,318 CAD (\$143,772.37 USD) net loss. This loss will be a direct result of powerful marketing tactics which will account for 64% of sales in the first year, 18%, and 11% in the second and third years, respectively. These tactics will create a strong foundation for 5th Bean's future, allowing immersed growth, market penetration, sales and company profit.

5th Bean will generate \$4,265,470 CAD (\$3,061,416.10 USD) in sales in Year 2, increasing to \$9,376,386 CAD (\$6,727,987.77 USD) in sales by Year 3, achieving a 23% profit margin.

INCOME STATEMENT*	Year 1	Year 2	Year 3
Liters Sold	32,170	183,540	393,635
Wholesale Price / Liter	\$22.67	\$23.24	\$23.82
Sales Revenue (\$)	\$729,294	\$4,265,470	\$9,376,386
Cost of Goods Sold (\$ per liter)	10.16	10.41	10.67
Total Costs of Goods Sold	\$326,847	\$1,910,651	\$4,200,085
Gross Margin (\$)	\$402,447	\$2,354,819	\$5,176,301
Gross Margin (%)	55.20%	55.20%	55.20%
Returns (liters)	1,610	9,180	19,680
Returns (\$)	36,500	213,345	468,780
Expenses (\$):			
Operating Expenses	76,310	75,665	101,826
Shipping Expenses	1,610	13,590	19,680
Marketing Expenses	466,095	769,127	1,050,920
Total Expenses	\$580,515	\$1,071,727	\$1,641,206
EBIT (\$)	\$(178,068)	\$1,283,092	\$3,535,095
Interest Expense	\$22,250	\$17,851	\$13,185
EBT	\$(200,318)	\$1,265,241	\$3,521,910
Income Tax Expense	—	\$278,353	\$1,341,848
Net Income (Profit)	\$(200,318)	\$986,888	\$2,180,062
Profit Margin %	-27%	23%	23%
Marketing Expense as % of Sales	64%	18%	11%

MARKETING EXPENSES (with Inflation)*	Year 1	Year 2	Year 3
Media and Digital	\$71,600	\$190,050	\$293,507
Print	\$73,340	\$160,967	\$207,882
Partnerships	\$35,000	\$65,000	\$115,000
Interaction	\$32,155	\$70,672	\$124,145
Marketing Team	\$236,500	\$264,500	\$292,000
Monitoring and Measuring	\$17,500	\$17,938	\$18,386
Total	\$466,095	\$769,127	\$1,050,920

* All values in Canadian dollars

To ensure 5th Bean thrives in the market, key performance indicators have been identified and will be utilized to review goals quarterly. Progress of promotional activities will be reviewed and evaluated with data conveyed to product stakeholders through contingency plans.

5th Bean will yield a 345% return on marketing investment (ROMI) by the end of Year 3. This will be monitored by comparing sales revenue to marketing investment. If ROMI is met, 5th Bean will look to move into more locations around the United States.

Measurement	If goal is exceeded	If goal is not met	Stakeholder Communication
GOAL: Regional penetration will reach our goal of 2.5% in year one 13.5% in year two and 25% in year three			
LCBO data will be used to ensure sales targets are being achieved regionally	Enhance the current marketing approach in thriving regions and further penetrate markets with diversification	Re-evaluate initiatives to ensure we are maximizing return to each marketing dollar. Regional data will be used to compare successful and unsuccessful locations	Retailers will be able to use the regional data to ensure they are meeting their goals
GOAL: 30% Brand Recognition			
Survey both in stores and through social media	Look to expand into further urban centers	Increase public presence at trade shows and through in store sampling to expand the involvement of the target market	Soy-Sustainable will utilize this goal to assure marketing dollars are being allocated efficiently
GOAL: 50% increased participation on social media			
Clickshare data and hashtag usage will be looked at from year to year to determine the change	Increase investment in online initiatives and influencer presence	Reassess the value of social media influencers, and their alignment with both the eco-seekers and the luxury leaders	This goal ensures that 5th Bean is meeting the needs of the consumers via social media and provides feedback for Soy-Sustainable
GOAL: 150% increased participation from Testing the Taste competition involvement within our target markets			
Competition entries and number of voting participants will be measured between Year 2 and 3	We will continue to have this competition on a yearly basis	We will reevaluate the direction of the event to see if it maintains relevancy	This grants our consumers an opportunity to voice their opinions on their future purchases

Conclusion



Soy-Sustainable Distilling is well positioned to take advantage of the increasing consumption and growing popularity of dairy product alternatives. We are confident that 5th Bean will empower luxury leaders and eco-seekers to consume sustainable, locally sourced soy-based products while providing soybean producers with domestic demand to diversify their marketing opportunities. This will ensure that there is sustained growth and opportunity in the vegan cream liqueur market as it continues to expand. Enjoy 5th Bean however you choose knowing that beyond being delicious, it is a sustainable local product made with you in mind.

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