

*PULP PANTRY*

# PROPOSAL AND PRICING STRATEGY

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# Executive Summary

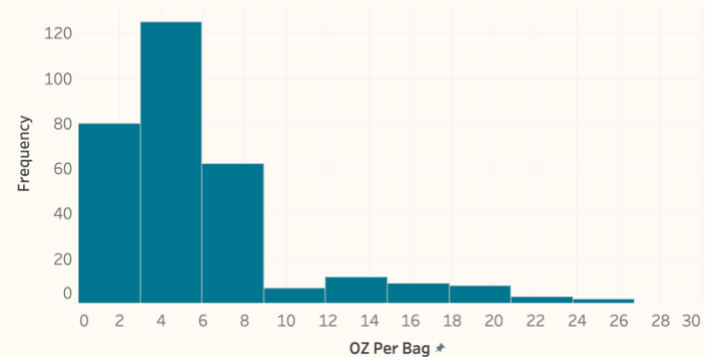
Pulp Pantry savory snacks are a sustainable and innovative product that was inspired from an idea of reducing food waste, which is a major issue we are facing today. The birth of Pulp Pantry will lead a new era of environmentalism and will bring tremendous value. In this 1200-word study, we have conducted relevant analysis in terms of competitor pricing, package design, wholesale promotion, shipping policy and future subscription plans. The data in our analysis will be presented and visualization will be adopted in order to give reader a better perspective.

# Package Design and Pricing

## Bag size

To determine our basic bag size, we have gathered all ounce-measured veggie chips listed on Amazon. It is apparent that one single bag of majority of chips are under 8 oz. Considering the concept of Pulp Pantry chips is being healthy, and along with the aspect of freshness and flavor, we determined that 5 oz is a good choice of our normal bag size. However, size of 5 oz cannot satisfy all of our targeted customer, 5 oz could still be either too large to consume or too big to carry for kids or people going to gym. Furthermore, if we want to hand out any sample to taste, small bag size with lower cost is always the best choice. Hence, it is necessary to create a mini pack – a bag size of 1.5 oz.

Oz per bag Distribution from veggie chips on Amazon



## Package

Our Bundle A contains 18 mini packs of one single flavor, this bundle targets consumers who take Pulp Pantry chips as daily nutrition supplements. There are three 5-oz bag with single flavor in Bundle B, this pack is prepared for customers who knows specifically which flavor is their favorite while Variety A aims those who does not have a favorite flavor. The reason why the pack size is 3 is due to a huge incremental cost from shipping of package of 1 pound and a possibility that for consumers who wish to collect all the flavors, they would have to purchase two Variety A packs. In terms of flavor preference, we have known that Sea Salt will be the most popular one. In order to gain sales from other flavors, we have created Variety B to encourage customers to try other flavors at their lowest cost, they would never know what is their favorite until they try all of them.

Bundle A	Bundle B	Variety A	Variety B
1.5 oz * 18 single flavor	5 oz * 3 single flavor	5 oz * 3 variety	5 oz Sea Salt 1.5oz *3 variety
			

## Pricing

After a serial analysis of cost, we finalized our price for single bag, 5 oz with 4.99 dollars and 1.5 oz with 2.99 dollars. However, purchase of single bag will not be available from our website. Based on that, we set our package price. The main concept of pricing strategy is to provide customers an affordable and fair price while we can keep profit approximately 50% of

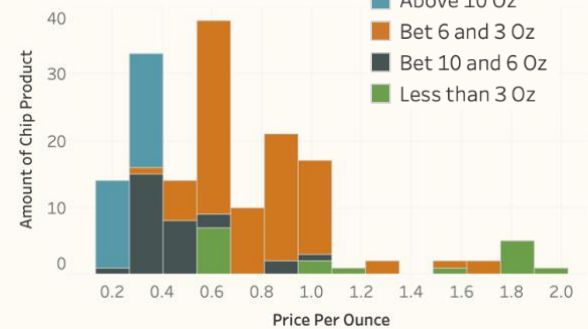


sales price. To make sure that our pricing position in current value, we have scraped more than 150 type of veggie chips from wholefoods market and more than 600 chips from amazon to deliver a clear scope of unit and package pricing respectively.

Veggie Chips Package Sales Price Distribution with Average Number of Reviews from Amazon



Price Per Ounce Distribution with Bag size from Veggie Chips on Wholefoods Market

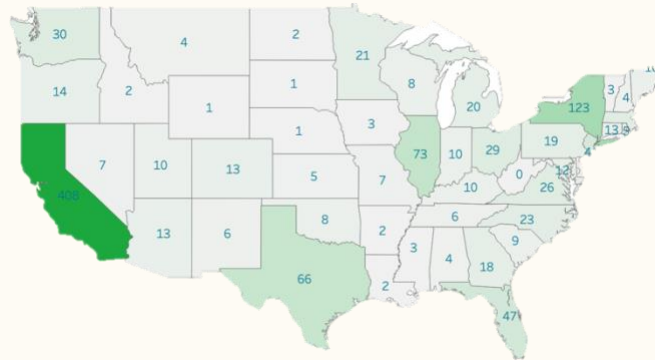


On Amazon, there is a positive proportional relationship between number of purchases and reviews, hence it can be referred that customers are more interested by packs lower 35 dollars. On Wholefoods Market, unit price between 0.6 and 1.0 dollar per ounce is heavily weighted for bag size between 3 and 6 oz, while the unit price of small bag size less than 3 oz is slightly higher. Comparing what we have found and what we planned, we concluded that our pricing strategy satisfies our profit goal meanwhile fits the market very well.

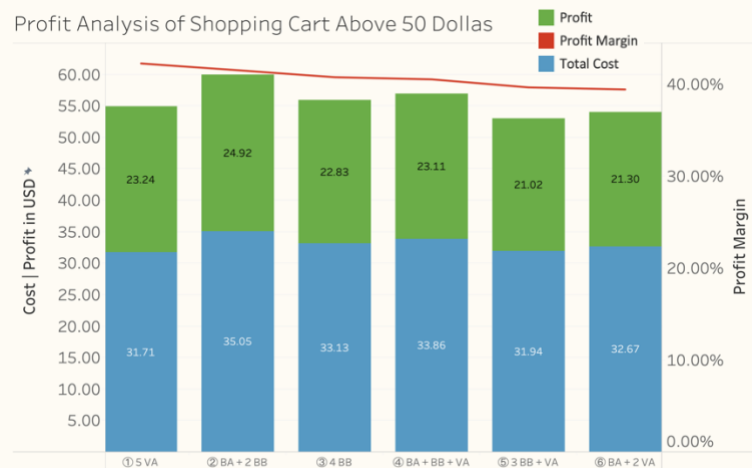
## Shipping Policy

### Free Shipping Threshold

There are 8 different shipping zone in which shipping cost is relatively different. It is a computational burden to analyze shipping cost in each zone respectively. The map on the right indicates the geographical distribution of existed customer from granola sales record. We could easily interpret that majority of our customers locate in California while a significant amount of them locates on east shipping cost of zone 8 as our baseline, so we will have.



The main goal of our free shipping policy is to encourage customers to buy more so we can gain more profit from a single purchase, however profit margin will be lowered due to the shipping cost. Before we came up with a threshold, we asked ourselves how much profit margin we aimed for a single purchase when we include shipping cost. The goal is at least 40%, then we did a shopping cart analysis based on our package design. So, can we achieve this goal if we set our threshold to 50 dollars? We simply choose possible combinations of packs slightly above 50 dollars to check if profit margin is above 40 percent. According to the graph on the right, six different combinations of our pack all yield 40 percent of profit margin. Certainly, the more customers purchase, the high profit margin will be, because profit from one more pack is higher than its incremental shipping cost. 50 dollars is a decent threshold that is not difficult for customers to reach and qualify for free shipping, while providing them with incentives to buy more than their normal purchase. Based on this, we can conclude that 50 dollars can be set as our free shipping threshold.



# Wholesaler Purchase Plan

Considering that it is very challenging to attract wholesaler to make bulk purchase for a new product, we have customized 5 plans for differently categorized wholesalers. For each plan, we also calculated how much profit we can make.

### Plan A

for Risk -aversive small wholesaler



**1.5OZ x 35 bags**

\$37.99/case & Shipping Free

Retail price must not be lower than \$2.49/bag

50% of retail profits will be paid to

Pulp Pantry as a

final payment

**5OZ x 15 bags**

\$44.99/case & Shipping Free

Retail price must not be lower than \$5.99/bag

50% of retail profits will be paid to Pulp Pantry as a final payment

### Plan A

for Risk -aversive small wholesaler



**1.5OZ x 35 bags**

Profit Margin:

Sell more than one case in a single order, the PM will be **no less than 47%**

And if sell more than 3 cases once, the PM will be **no less than 51%**

Including shipping cost

Sell more than one case in a single order, the PM will be **no less than 40%**

And if sell more than 4 cases once, the PM will be **no less than 45%**

**5OZ x 15 bags**

Profit Margin:

Including shipping cost

Sell more than one case in a single order, the PM will be **no less than 40%**

And if sell more than 4 cases once, the PM will be **no less than 45%**

\$49.99/case BUT **NO** Shipping Free

Pay after delivery

Wholesalers only need to settle the payment within one month.

**1.5OZ x 35 bags**

**5OZ x 15 bags**

\$58.99/case

BUT **NO** Shipping Free

Pay after delivery! Wholesalers only need to settle the payment within one month.

**Plan B**

For Small-scale wholesalers with limited economic capacity

\$49.99/case BUT **NO** Shipping Free

The Profit Margin would be **no less than 56%**

No Matter how many cases are sold in a single order

**1.5OZ x 35 bags**

**5OZ x 15 bags**

\$58.99/case

BUT **NO** Shipping Free

The Profit Margin would be **no less than 56%**

No Matter how many cases are sold in a single order

**Plan B**

For Small-scale wholesalers with limited economic capacity

Variable Prices & Shipping Free

See Exhibit 1 for details.

To enjoy the member price, the customer needs to sign a contract of one year or more.

The contract will provide the parties with the relevant content of the liquidated damages

### Plan C

for The Customers who are willing to sign a long-term contract with us (more than one year)

Variable Prices & Shipping Free

See Exhibit 1 for details.

Suppose a wholesale customer from the East Coast signs a one-year sales contract with us, buying 15 cases per month.

The annually net profit will be:

\$2050.68 For 1.5oz x 35bags

or

\$3074.4 For 5oz x 15bags

### Plan C

for The Customers who are willing to sign a long-term contract with us (more than one year)




### Plan D

Variable Prices

But **NO** Shipping Free

See Exhibit 1 for details.

Each price is \$1.5 higher than the member price.



Customers can enjoy a 10% discount on the second purchase.

New customers only

**For budgeted or large wholesalers  
Who prefer variable prices**

### Plan D

**1.50Z x 35 bags**


For the first order,

our profit margin will be no less than 53%

no matter how many cases are sold in a single order

For the second order with one-time discount price,

our profit margin will still be no less than 48%



For the first order, our PM will be no less than 52%

For the second order with a one-time discount, our PM will still be no less than 47%

**50Z x 15 bags**

**For budgeted or large wholesalers  
Who prefer variable prices**

### Plan E

For First Purchase, Customers will enjoy a **new-customer-price**

1.5oz x 35bags:  
\$42.99(~~\$45.99~~)/case

5oz x 15bags:  
\$51.99(~~\$54.99~~)/case

But **not** shipping free



On the second purchase,

the customer will enjoy the **free shipping policy** at the **original price**.

New customers only

**For budgeted or large wholesalers  
Who prefer Simple prices & A Discount**

### Plan E

For First Purchase, Customers will enjoy a **new-customer-price** and the Profit margin will be:

> 50% for 1.5oz x 35bags  
or  
>51% for 5oz x 15bags



On the second purchase, if sell more than 1 case in a single order, the PM will be:

> 33% for 1.5oz x 35 bags  
> 32% for 5oz x 15bags

On regular purchase, the profit margin will be:

> 54% for 1.5oz x 35bags  
> 53% for 5oz x 15bags

**For budgeted or large wholesalers  
Who prefer Simple prices & A Discount**

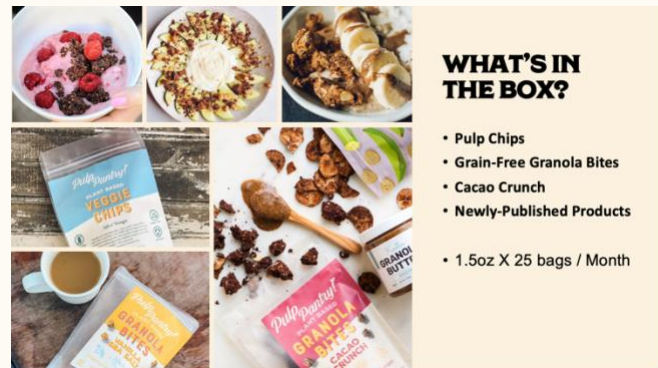
Exhibit I

Purchase quantity	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Member Price/case for 1.5oz x 35bags	43.7	40.7	39.7	39.2	38.9	38.7	38.6	38.5	38.4	38.3	38.3	38.2	38.3	38.1	38.1
Member Price/case for 5oz x 15bags	52.3	49.3	48.3	47.8	47.5	47.3	47.1	47	46.9	46.9	46.8	46.8	46.7	46.7	46.7
Price/case For 1.5oz x 35bags	45.2	42.2	41.2	40.7	40.4	40.2	40.1	40	39.9	39.8	39.8	39.7	39.8	39.6	39.6
Price/case For 5oz x 15bags	53.8	50.8	49.8	49.3	49	48.8	48.6	48.5	48.4	48.4	48.3	48.3	48.2	48.2	48.2

## Future Promotions

### Subscription Plan

In order to secure customers, we designed a monthly subscription plan of our snack box. Inside the box, we can find selection of our products in low cost mini bag size. This subscription plan is designed for gaining loyalty from our customers by offering them a competitive price and privilege to taste our new products before their launch. We can adopt this plan after we have steady cash flow from sales to increase more revenue.



No matter what customer choose as their preferred plan, each subscription plan maintains a profit margin around 40 percent. A 6-month plan yields the lowest profit margin; however, it guarantees the highest profit contribution in terms of amount from one single customers.

Inside the monthly subscription, we currently have three different plans for customer to choose. In first plan, customer can choose to pay monthly for the snack box for 50 dollars, in the second, they can prepay 144 dollars for 3 boxes delivered separately in next three month, and the third one, they can prepay 276 dollars for 6 boxes delivered separately in next 6 months.

### Cost and Profit Analysis for Subscription Plans

