

Oakland FRESH Produce Markets

Final Deliverable

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January 28, 2011

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1 Introduction

1.1 Document Overview

This document serves as the final Business Plan for the Oakland Unified School District *Oakland Fresh* produce market project. This document addresses the specific deliverables and issues raised as part of the work plan.

1.2 Program Goals

Although not explicitly defined as a deliverable, program goal definition is key to providing context and defining strategy, and is offered here. The program goals for the Oakland Fresh program are as follows:

- Provide families with direct access to high-quality fresh foods
- Make quality food affordable
- Educate the community on healthy eating

Note that the affordability goal implies that low prices are prioritized higher than profitability. The markets should be viewed as a community service, and not necessarily profitable from market proceeds alone. The sustainability definitions given later in this document offer further context on profitability.

2 Operational Overview

Operationally, the produce markets face several major challenges.

- Finding reliable volunteers for central warehousing and distribution is difficult
- There is not a reliable substitution pool of drivers. Current drivers are often overworked and difficult to coordinate, which has resulted in some deliveries arriving late
- Produce is provided by several sources, making paperwork, tracking, and ordering overly difficult, and reducing opportunities for volume discounts on purchases
- The central operational challenges require the program coordinator to direct significant time toward warehousing and distribution and away from value added tasks related to financial accounting and marketing
- The unsubsidized cost of central warehousing and distribution poses a threat to program viability. A paid warehouse staff would inject \$7,500 per year of expenses for a 12 market operation. The current driver hours yield roughly \$8,000 worth of expenses for 12 markets. (See financial model for details). Because the drivers are currently at or over capacity, an expansion of the program would likely require not only additional drivers, but also additional trucks.

- Market Managers often receive help from family members to help take down and clean up the market when parent volunteers become unavailable. That volunteers play a vital role in market operations is an asset to the program, but having to consistently rely on family members for market help is operationally unsustainable (or, at the least, not scalable).

To achieve sustainable operations requires mitigation of these challenges. The following sections discuss the operational improvements to achieve program sustainability.

2.1 Defining and Achieving Sustainable Central Operations

Financial modeling has shown that supporting program sustainability through market profits only will be extremely difficult even in a 25-market operation. Providing a valuable service to the community is of greater importance than developing a profitable program. Therefore, sustainability in the context of Oakland Fresh is defined as the point at which subsidies (for example, grants and volunteers) and net income support the program's continuation.

Based on conversations with the Nutrition Services Director, obtaining grant money for market startup and part of the program coordinator's wages is a reasonable expectation for the program. [VERIFY] Furthermore, it is assumed that the individual schools will continue to pay the market managers. Assuming these are the only two forms of subsidy, a sustainable model requires that profits from the markets cover both market and central operating expenses outside of staffing.

2.2 Optimizing Central Operations

To overcome the central operating challenges given above, it is recommended that warehousing and distribution are outsourced to a 3rd party. The benefits of this approach are:

- True cost savings of over \$15,000 for a 12 market operation (over \$30,000 for a 25 market program).
- Elimination of future central fixed cost investment (refrigeration, physical space, pallets, etc).
- Reduced burden on OUSD drivers, creating opportunity to focus on other areas of OUSD.
- Increased reliability on produce delivery to markets. Issues such as creating a reliable driver substitution pool will no longer be present.
- Reduced burden on Program Coordinator through elimination of volunteer/warehouse employee coordination and consolidation of ordering, creating opportunities to focus on market expansion and improvement.
- Continued tie to local farms with additional tie to local (Oakland based) produce distribution company.

2.3 Staffing and Responsibilities

Assuming the distribution and warehousing is outsourced to a third party, a sustainable staffing model looks similar to the staffing structure in place today.

Central Staffing

- Program Coordinator – A single Program Coordinator is required for any program scale less than the projected 25 markets. Responsibilities should shift to analyzing market performance, developing programs for market growth and optimization, helping start new markets, and program marketing.
- Accounting – Accounting currently requires roughly 2.5 hours per week, and this is expected to scale slightly with the addition of new markets.
- Data Entry personnel – Streamlining the sales sheets and order sheets and shifting to a more electronic based system will require dedicated time for data entry. Current projects are roughly 2 hours per week, but could scale to 4 hours per week at 25 markets. The data entry could be handled by the Program Coordinator to start, but should be handed to dedicated personnel as the program grows.

Market Staffing

- Market Managers – The current staffing of the markets (1 manager per market) is sufficient in almost all cases. Program viability generally depends on having only one paid staff member at the markets, since margins are not large enough to support other paid staff. One possible responsibility shift of the market managers is to identify more parent volunteers to support market setup and sales. All market managers should be responsible for consistent and accurate accounting practices and money management, which is a prerequisite for market and program success.
- Market Liaisons – The current staffing of the markets (1 liaison per market) is sufficient in almost all cases. One observation of the current liaison staff is that dedication and effort varies widely by school. Liaisons should not only provide support to the market managers, but also act as the markets' main advocate within the schools. The program should consider an incentive program for liaisons to improve overall performance. For example, there may be cash bonuses for developing marketing programs or doing outreach in the school.
- Parent Volunteers – As in the current model, parent volunteers should be leveraged according to the individual market needs. Rather than expanding the volunteer pool for each market, market managers should consider downsizing the pool, having only a few dedicated parent volunteers for each market. In other words, identify the parents who are excited to participate in the market, rather than those who are participating out of obligation.

2.4 Streamlining Communications

Current documentation sent from Program Management to market managers and liaisons is very thorough and detailed yet often perceived as complex. This has led to some confusion and lack of consistency in program execution across market managers. These issues are especially prevalent with managers whose primary language is not English (the current volume of program documentation makes it more difficult to do language translation). The following changes are recommended:

- Revise and reduce the written volume of training curricula
- Restructure training curricula to offer more onsite support and reduce offsite requirements of managers
- Revisit the goals of trainings and meetings, aiming to shorten the training time required by optimizing the content (thus reducing program costs improving manager retention of information)

3 Pricing Considerations

3.1 Conditions for Breakeven

The breakeven point for the markets is, in this context, where net income equals zero after considering all income, operating expenses, and subsidies. To successfully reach breakeven, the following three conditions must be met:

- A gross margin of 18% (22% markup). See the Pricing section for explanation of this number.
- Subsidy of all central operating staff, including the program coordinator, accounting, and all warehousing and driving functions.
- Subsidy of Market staff, including market managers and liaison.

Note that the above conditions define the breakeven point for operations. Startup expenses are considered separately and would have to be at least partially subsidized. The table below shows the Net Income with and without the subsidies listed above.

Net Income Summary

	2011	2012	2013	2014	2015
Without Subsidies	\$ (158,323)	\$ (194,658)	\$ (249,078)	\$ (254,273)	\$ (259,577)
With Subsidies	\$ 2,771	\$ 5,029	\$ 12,494	\$ 14,378	\$ 16,381

3.2 Pricing Recommendations

To achieve the breakeven point discussed above, the produce markets must sustain the target margin (see Appendix A for definition) across all products. Depending on the final produce distribution arrangement, this means that prices may have to be raised slightly. Non-uniform price increases are also possible as long as the overall margin is greater than the target margin. Non-uniform price increases should be based on analysis of past sales data. At present, however, past sales data is

unavailable in an electronic format. Therefore the pricing recommendation is as follows:

- Implement the target margin for all items
- Update tracking mechanisms to have weekly electronic sales reports
- Based on sales analysis, adjust margin for individual items as necessary, ensuring that the overall gross margin is greater than the target margin

One caveat to this approach is that as margin is changed at the item level, tracking becomes more difficult. For this reason, the simplification of tracking mechanisms is a prerequisite to any sales analysis and pricing adjustment.

4 New Site Selection

4.1 Quantitative Analysis

Market selection should focus on the financial sustainability definition given above. At a minimum, a market should be able to support its own operating expenses (less market manager wages). It should also be able to support a pro rated portion of non-subsidized central operating expenses. Given our target margin and variable market expenses, we can back into the revenue required per market. From financial analysis (see model), the following two facts have been uncovered:

- A market has roughly \$1100 of non-personnel expenses per year.
- On a pro rated basis, a market may be required to support anywhere between \$270 and \$562 of central expenses per year (depending on how many markets are present).

Let's assume a conservative (worst case) responsibility of $\$1100 + \$562 = \$1662$ of expenses per market per year. This means, for a breakeven scenario (based on the definition of program sustainability), a market requires \$1662 of gross profit. With a target margin of 18%, this translates into \$9,233 of revenue per year ($\$1662 / \$9233 = 18\%$). Therefore, from a *quantitative perspective only*, if it is not believed that a market can drive more than approximately \$9200 in revenue, it should not be opened.

4.2 Qualitative Factors for Market Success

To achieve the revenue and margin given above, several qualitative factors should be considered in selecting a market location:

- Enthusiasm of school liaison – the dedication of the liaison and the connections developed with the school play a large role in the success of the market. Liaisons who actively promote the market in their school – not only to students and parents but also teachers and administrators – are anecdotally correlated with high market success. Furthermore, valuing the markets for personal reasons/gain give the liaisons an incentive to promote it. In identifying new markets, finding a passionate and capable liaison is a prerequisite for market launch.

- Effectiveness of Market Manager – Market Managers should not only be skilled at running basic operations, but should be capable and willing to develop the market as a friendly, nurturing community gathering place.
- School size/Size of customer base – To meet the revenue requirements listed above to achieve market viability, focus should turn to large schools first (until the model can be refined to target small schools as well).
- Support of the School/Administration - School staff shopping at the markets can be a key determinant in market revenue. Some teachers will bring their classes to the market as well, further enhancing revenue and building school wide awareness of the markets.
- Culture of cooking within students' homes – schools with higher immigrant populations, where home cooking is more common, typically have more successful markets. (As a corollary, the Hoover market, which has a great market manager, is an underperforming market likely because many of the parents do not cook at home).
- Parent participation – schools with parents who are more likely to be on campus, either for campus activities or simply picking up their children, seem to have better success than other markets
- Location of market on campus – in some schools the market is not conveniently located. East Oakland PRIDE is one example where a location change (to a parking lot in front of the building) improved market revenue. If markets cannot be moved, then signage around the schools can be improved to direct people to the market.
- Safety – schools that have more frequent lockdowns (such as Hoover and Lockwood) have lower market sales.
- Money management and manager/liaison accountability – managers who handle money issues, including price adjustments and recording of sales and inventory changes, are more likely to maintain minimum margins and accurate documentation.
- Appealing and appropriate inventory sourcing and management – having culturally familiar produce makes it significantly more appealing for neighborhood residents to make market purchases. This may mean, in some cases, procuring produce that is not in season (for example, tomatoes, tomatillos, chilies, etc).
- Marketing of produce as organic/pesticide free - anecdotal evidence suggests market managers can influence sales by touting that the produce is organic/pesticide free. Customers have indicated that the produce from the markets tastes better, looks better, and lasts longer than some of the conventional produce purchased from other local markets.

5 Development of Funding Strategy

5.1 Funding Requirements

The funding requirements change substantially depending on the chosen operating model. This analysis assumes that Oakland Fresh can successfully outsource distribution and warehousing. The table below describes the fundraising needs in this scenario.

Fundraising Need	Amount	Responsible
Program Coordinator (Wages and Benefits)	\$78,000 per year	Central Operations
Central Operating Expenses	\$6,426 for 12 markets (\$535 per market)	Assuming the sales and margin goals are met, these expenses could be covered by the markets.
Market Manager	\$5,200 per market	School Sites
Market Startup	\$4,400 per market (\$1,800 if no refrigerator is needed)	Central Operations

In summary, central operations is responsible for \$78,000 per year for the Program Coordinator, and \$535 per market (\$6,426 total for 12 markets) in operating expenses assuming they are not covered by the markets. Furthermore, if new markets are started, central operations would be responsible for the \$4,400 of startup costs.

Each market is responsible for \$5,200 in market manager expenses. Market margins should be sufficient to cover non-personnel operating expenses.

5.2 Defining Market Outcomes

There are several options that OUSD can pursue for fundraising. With any option, OUSD should be prepared with qualitative and quantitative facts that illustrate the success of the markets and possible outcomes. Ideally, these facts would show:

- Direct correlations to health outcomes, and specifically, the reduction of obesity
- A link to the betterment of the community (this is particularly relevant for local grant giving organizations)
- Financial responsibility and accountability with strong understanding of monetary needs and ways to improve the financial position beyond fundraising requirements.

For points 1 and 2 above, it can be difficult, even with mature programs, to find data demonstrating these outcomes. So, while showing these outcomes is ideal, it may not be realistic, especially in the short term. OUSD can, however, show local data, such as the obesity rates in Oakland and the access to (or lack thereof) produce. In

this light understanding the following details would demonstrate the potential impact of the markets:

- Increased consumption of produce measured in dollars sold, weight sold, or units sold.
- Number of community members served by the markets
- Number of community members witnessing cooking demonstrations
- Number of empty calories (junk food) swapped for calories based on produce sales

5.3 Fundraising Strategies

To raise funds for the Oakland Fresh program, there are several strategies OUSD can pursue:

- Direct solicitation – OUSD can create and send letters to all families in the district asking for financial support for the markets.
- Event-based fundraising – OUSD can host yearly (or twice yearly) food events featuring local producers willing to donate product. The fee for the event would be directed to market operations
- Partnership with the local food community – OUSD can seek to engage in co-marketing opportunities with organizations such as Eat Real, offering volunteer support in exchange for a “donation” booth at the festival.
- Grant writing – OUSD can write grants on its own, or work with a grant writer to aid in the process.
- Member market program – operations can be expanded to “Member Markets” who pay set margin to Central Operations on top of produce costs, and then have the autonomy to run markets as they see fit for their community.

5.4 Grant Writing Overview

Should the grant writing option be selected, organizations focused locally should be contacted first. The following funders would be a possible fit for the Oakland Fresh program:

- California Endowment
- East Bay Community Foundation
- California Wellness Foundation
- Corporations based in Oakland

Some secondary options include:

- Bechtel Foundation
- Kaiser Foundation
- David and Lucile Packard Foundation

- Clorox Foundation

In contacting these organizations, the market outcomes defined earlier in this section should be highlighted. One other possibility is to pitch these organizations on program sustainability – in other words, describe the conditions that will achieve program sustainability with the provided funding. In this way, funding dollars will be linked to a very specific program outcome. If the grant-funding route is chosen, it should begin immediately. The time a grant application is started to the time it is awarded and money is dispersed is typically, at a minimum, 6 months.

There are food focused grant writers who can help develop a funding pitch for OUSD. For this project, Jennie Schacht (<http://www.schachtandassociates.com/>) was consulted and is recommended should this avenue be pursued.

5.5 Member Market Overview

One other possibility for financing is to invite other schools as “members” of the Oakland Fresh program. In this model, the Central Operations would provide produce ordering and delivery services. The member school would then be responsible for all market operations without having any responsibility to Central Operations. Although similar to the current model, the member school model would receive less support from Central Operations. There are several possible ways to organize this model:

- Schools pay a flat service fee for membership
- Schools pay a service fee that is a % of invoice
- Schools split gross profit evenly with Central Operations
- Schools pay the cost of produce plus some margin for Central Operations

The final approach listed provides the best combination of ease of implementation and mutual benefit for member markets and Central Operations. It eliminates any need for reporting of gross profit by member schools, provides autonomy to member schools to run the markets in the way that is best for their community, and makes internal tracking very straightforward. Furthermore, incentives are aligned on both sides, and the margin structure is both transparent and calculated easily.

Determining the Fee for Member Schools

To calculate the acceptable margin to charge member schools, we first must make assumptions about the potential performance of a member school market. A well performing market sells roughly \$350 in produce per market session. The first table below illustrates the gross profit earned for different combinations of produce costs and markup. The second table shows the revenue earned for the same combinations.

Gross Profit for Various Markup and Cost of Produce Combinations

		Average Daily Cost of Produce Sold				
		\$250	\$300	\$350	\$400	\$450
Markup	10%	\$825	\$990	\$1,155	\$1,320	\$1,485
	20%	\$1,650	\$1,980	\$2,310	\$2,640	\$2,970
	30%	\$2,475	\$2,970	\$3,465	\$3,960	\$4,455
	40%	\$3,300	\$3,960	\$4,620	\$5,280	\$5,940
	50%	\$4,125	\$4,950	\$5,775	\$6,600	\$7,425
	60%	\$4,950	\$5,940	\$6,930	\$7,920	\$8,910
	70%	\$5,775	\$6,930	\$8,085	\$9,240	\$10,395
	80%	\$6,600	\$7,920	\$9,240	\$10,560	\$11,880

Revenue Earned for Various Markup and Cost of Produce Combinations

		Average Daily Cost of Produce Sold				
		\$250	\$300	\$350	\$400	\$450
Markup	10%	\$9,075	\$10,890	\$12,705	\$14,520	\$16,335
	20%	\$9,900	\$11,880	\$13,860	\$15,840	\$17,820
	30%	\$10,725	\$12,870	\$15,015	\$17,160	\$19,305
	40%	\$11,550	\$13,860	\$16,170	\$18,480	\$20,790
	50%	\$12,375	\$14,850	\$17,325	\$19,800	\$22,275
	60%	\$13,200	\$15,840	\$18,480	\$21,120	\$23,760
	70%	\$14,025	\$16,830	\$19,635	\$22,440	\$25,245
	80%	\$14,850	\$17,820	\$20,790	\$23,760	\$26,730

Recalling that market manager wages are roughly \$5000 per year and other operating expenses are approximately \$1000 per year, member markets would have to perform very well to cover operating expenses and have money left over to pay an additional fee to Central Operations. The first table above illustrates this – the combinations that produce gross profit over \$6,000 would have both markup and sales that are not experienced by any market today.

If, however, member markets are able to develop their own volunteer (or student) group to head market operations, both member markets and schools can benefit. For example, let's assume that Central Operations decides to charge member markets a 20% markup above produce cost (very close to the Target Margin defined previously). Even in a modest market scenario (\$300 of produce sales per week), Central Operations would receive \$1,980 per year from the member market. Furthermore, the member market would be able to cover the remaining market expenses by marking up produce only slightly further. Price checks have been performed to ensure market prices would still be competitive with this additional markup. On the small sample set identified, prices are in fact competitive. Further price checks can be performed if this approach is taken.

6 Marketing

Marketing of the Oakland Fresh program should focus on low cost (preferably free) programs that reach a large number of people. When thinking about developing a marketing initiative, the following questions should be considered.

- Who are the customers, and what are their demographics, preferences, and behaviors?
- How does the program reach the buyers?
- What messages should be communicated?
- How do can the program’s success be measured?

The following sections provide further detail on each of these questions.

6.1 Customers

The customers of the program include students, parents of students, community members, and school staff. Through research and discussions, several customer characteristics were discovered:

- Most of the customers are price sensitive. If the prices at the markets are significantly higher than those prices at local grocery stores, potential customers will likely purchase from the grocery stores.
- Some customers appreciate the markets as a community service and that it serves as a “safe spot” in often otherwise dangerous neighborhoods.
- There is appreciation for variety. Anecdotally, customers like that they can purchase many items there.
- Student buyer cards seem successful. Even for schools with low parent participation, there are several examples where students bring parents to the market with student buyer cards.
- Increasing teacher participation is a good way to increase market sales in two specific ways. First off, engaged teachers are more likely to promote the market to students and parents. Secondly, the teachers represent a different demographic and appear to have less price sensitivity, providing an opportunity to carry higher margin items catered to this group of buyers.

6.2 Reaching the Customers

The Oakland Fresh program should focus on low cost, high reach methods of contacting customers. The following mediums are recommended:

- School broadcast system – there is a system wide phone system that delivers automated messages to homes of the students. This can be used to deliver a simple, short message about the presence of the markets
- School Site Council Meetings – These meetings are held monthly for each school and both parents and staff attend.
- School Staff Meetings – Frequency varies by school, but this is an important medium to enlist teacher involvement
- Local congregations – The local churches and temples provide unique geographical opportunities to reach large numbers of community members easily. For example, the New Highland/RISE produce market is directly across from the Allen Temple Baptist Church.

- Other community partners – The Public Health Department, WIC program, the Oakland Public Library system, and senior citizen centers provide further avenues for community outreach.

Marketing to these mediums can be achieved for free (via announcements) or for minimal expense (via basic marketing collateral).

6.3 Marketing Content

Marketing content should be simple and clear. All marketing content should contain the following details:

- What? That is, what message is being conveyed? Is it simply that the market exists, or is another, more specific trait being promoted? For example:
 - Taste
 - Convenience
 - Price
 - Benefit to community
- When – Time of day/week
- Where – Location of market

The above details can be applied to marketing collateral created earlier in the project (see image below). Generally, this image answers each of the questions above. The location and time (where and when) are clear. The “what” component, while present, is difficult for the reader to discern with only a quick glance. The reader is required to read a significant amount of the sheet before getting to the price breakdown, which is the primary message of this image. Furthermore, the message assumes that the reader has the ability to synthesize the information given and judge whether or not \$7 is a good deal for the produce combinations provided. This message can be improved by removing non-essential details from the page (de-cluttering it), and helping the reader understand the message with only a quick scan. The latter objective can be achieved by putting emphasizing the pricing information “Save BIG on produce”, and adjusting how the pricing is represented. The flyer can also be used as a call to action to bring people to the market. For example, a line such as “mention this flyer and receive a 25% discount on all purchases!” could be added to not only aid sales but also provide a measurement mechanism to the success of this flyer.

school logo
here



**COME SHOP AT
YOUR SCHOOL PRODUCE MARKET
AT PARKER SCHOOL!**

7929 Ney Ave. near MacArthur Blvd. and 80th Ave.



Support your family's health and your child's school!

Every TUESDAY 1:00-4:00pm
near the Ritchie St. entrance

Fresh & Affordable Fruits, Vegetables, Eggs, Nuts, Honey, and More!



85% of all foods sold at Oakland Fresh School Produce Markets
is **ORGANIC OR PESTICIDE-FREE!**

What You Can Buy for \$7 at Oakland Fresh @ Parker School:

Pink Lady Apples, 1.5 lb
Collard Greens, 2 bunches
Mustard Greens, 1 bunch
Roasted Almonds, 1/2-lb bag

OR

Broccoli, 1 lb
Green Cabbage, 2 lb
Red Potatoes, 1 lb
Romaine Lettuce, 1
Cilantro, 1
Heirloom Tomatoes, 1 lb

Red Pears, 1 lb
Persimmons, 1 lb
Pomegranate, 1
Red Grapes, 1 lb
Jujubes, 1 lb
Bananas, 1 lb

OR

Chiles Pasilla, 1 lb
Red Tomatoes, 2 lb
Spinach, 1 bunch
Plums, 1 lb
Walnuts in the shell, 1 lb

6.4 Measuring Marketing Success

Each marketing program's results should be measured after implementation. The type of measurement depends on the program implemented. Below are some program examples the associated questions measuring program efficacy.

Program	Measurement
A district wide message is sent via the school phone system on a Monday	Was there an increase in sales for all markets over the previous week?

evening before all markets during the week.	
A district wide message is sent via the school phone system on a Tuesday evening (therefore targeting Wednesday markets)	Was there an increase in sales for Wednesdays over the previous week? How did the Wednesday market results compare to the Tuesday results?
Flyers are handed out to church attendees and an announcement is made to the congregation on Sunday.	For the market closest to the church, did sales increase for the week?
An announcement was made at the school staff meeting.	Did the market sales increase for the week, and was there greater teacher participation? *
A coupon was given to students for \$1 off all apple purchases	Did the sale of apples increase over the week before? How many coupons were used?

* There are several ways to identify teacher participation.

- Through observation (this is subjective and the least reliable)
- Through discrete measurement. For example, for each teacher who makes a purchase can be recorded on a sheet of paper. The results can be compared to the week prior where no staff announcement was made.
- Through examination of sales of specific items. For example, if it is hypothesized that teachers make higher margin purchases, the sale of those items can be analyzed.

Note that the above measurement techniques are straightforward (week over week comparison) and don't include suggestions of statistical analysis (for example, tests of significance in the data). Given the experience and available time of key personnel, measurement goals are kept simple deliberately and are designed to get a broad, rather than specific, idea of a marketing program's success.

7 Financial Accountability and Tracking

To support the proposed operational changes discussed above, the Oakland Fresh program requires new tracking mechanisms. Previous documentation on tracking focused on moving to a lightweight, custom inventory management database. Given the desire to outsource central operations and distribution, and with new understanding of program requirements, budget, and personnel skill set, the tracking system can continue with Excel with modifications to the current documents.

There are several reasons to update the tracking system used by Oakland Fresh

- Current tracking is mostly paper based making it difficult to have insights into the latest market performance and requiring more time than is necessary to keep track of program data
- The current system makes it difficult for the Program Coordinator to verify the accuracy of the market manager reporting
- There is no reconciliation between market manager sales sheets and the actual deposits made, resulting in an ongoing discrepancy between actual sales and reported sales
- Without electronic representation of the data, performance of marketing initiatives is extremely difficult to measure
- The current documentation set for tracking can be streamlined resulting in easier reporting for market managers.

An updated tracking documentation set, therefore, is expected to achieve the following:

- Decrease the time required by the program manager performing rote tracking tasks
- Improve the financial integrity of the program
- Provide an opportunity to perform program and marketing specific analysis that can lead to increased sales, improved margins, and optimized ordering

The updated tracking documents are included as part of the final documentation package.

APPENDIX A: Market Research Tools

Market Research is an important component of any business and for Oakland Fresh should be implemented in scale and complexity commensurate with the size and goals of the program. The goal of market research should be to provide *actionable* information about customers. The Oakland Fresh program should aim to identify the following customer characteristics:

- Demographics (Age, Income, Sex, etc)
- Preferences (Self-revealed characteristics of buying patterns – for example, valuing taste and appearance over low price)
- Behaviors (Actual shopping and buying patterns)

Furthermore, the program should implement routine customer satisfaction surveys. Knowing the above information will allow Oakland Fresh to optimize marketing materials and product mixes to improve sales and better serve customers.

Survey Design *

The easiest and lowest cost method of market research is providing surveys to customers at the markets. This method works well because demographic, satisfaction, and preference variables can be determined from this technique. Plus, segmentation by market is achieved without requiring additional work. When designing surveys, the following questions should be considered:

- What is the objective of the survey?
- How is participation maximized?
- How often should a survey be offered?
- How is bias minimized?

As a general rule, surveys should be kept as concise as possible, and, as mentioned above, should have actionable questions only (as opposed to “nice to know” responses). They should only be offered as frequent as is necessary. In the case of Oakland Fresh, depending on the type of survey, this is no more than twice per semester. Demographic surveys should be offered no more than once per semester.

“Bias” in surveys is the unwanted skewing of results that occurs from one or more reasons. Handling bias in survey design and in results analysis is crucial to making the results accurate and actionable. There are many different types of bias. * With the types of surveys recommended here, one common type is selection bias, where the results are skewed because only a one type of customer participates in the marketing research. For example, voluntary satisfaction surveys may result in satisfaction being overinflated, since often only the happiest customers respond. Another type of selection bias can occur based on the time interval of survey introduction. For example, if a survey is given at the beginning of the market, when

parents are shopping, but not at the end, when teachers are shopping, the resulting data is slanted toward parent preferences. Planning for bias handling ahead of time is therefore vital in building surveys.

** There are many best practices of survey design that are not discussed here. This section is meant to provide an overview of the main points to be considered rather than a comprehensive guide to designing surveys.*

Analysis of Current Surveys

The current marketing research tools used to date to a good job of following the principles listed above. Some specific pieces of feedback are given below:

- Demographic Surveys – In addition to the current question list, a question should be added asking if the purchaser is a student, parent, teacher, staff member, or other. The purpose of this question is to be able to eliminate bias as discussed above, in addition to being able to tailor marketing messages.
- Satisfaction Survey – The wording can be improved on the rating scale in a few specific ways. Survey design studies show that results are more likely to be biased when descriptors are attached to ratings (excellent, good, fair, poor, etc). So, a question that states "On a scale of 1 to 4, I think the quality of produce at the school produce market is:" can be changed to "I am satisfied with the quality of produce at the school produce markets". The rating scale is then changed to values of 1 to 5, with neutral descriptors (strongly disagree, somewhat disagree, neutral, somewhat agree, strongly agree).

APPENDIX B: DEFINITIONS

Cost of Goods (COGS) – the inventory cost of the produce sold in a given period. For example, if on a given day a market sells 10 apples that cost \$0.25 each, the total COGS for these apples is \$2.50.

Gross Margin – gross profit divided by sales, expressed as a percentage.

Gross Profit – revenue earned minus the cost of goods.

Net Income – the money earned after adding all revenue and subtracting all costs for the program.

Operating Expenses – the expenses required to support ongoing operation of the business. Although personnel costs are considered an operating expense, the models delineate these costs separately.

Target Margin – defined for this project, the minimum recommended gross margin to achieve the financial and fundraising goals of the entire program.

Markup – the amount added to the cost of the produce for sale. For example, produce purchased for \$1 that is sold for \$1.25 has 25% markup. Similarly, produce purchased for \$1 that is sold for \$1.50 has 50% markup. Markup should not be confused with margin (see definition of Gross Margin for explanation).