

MINNCOR Industries

Marketing Plan

Business Development

Fiscal Year 2010

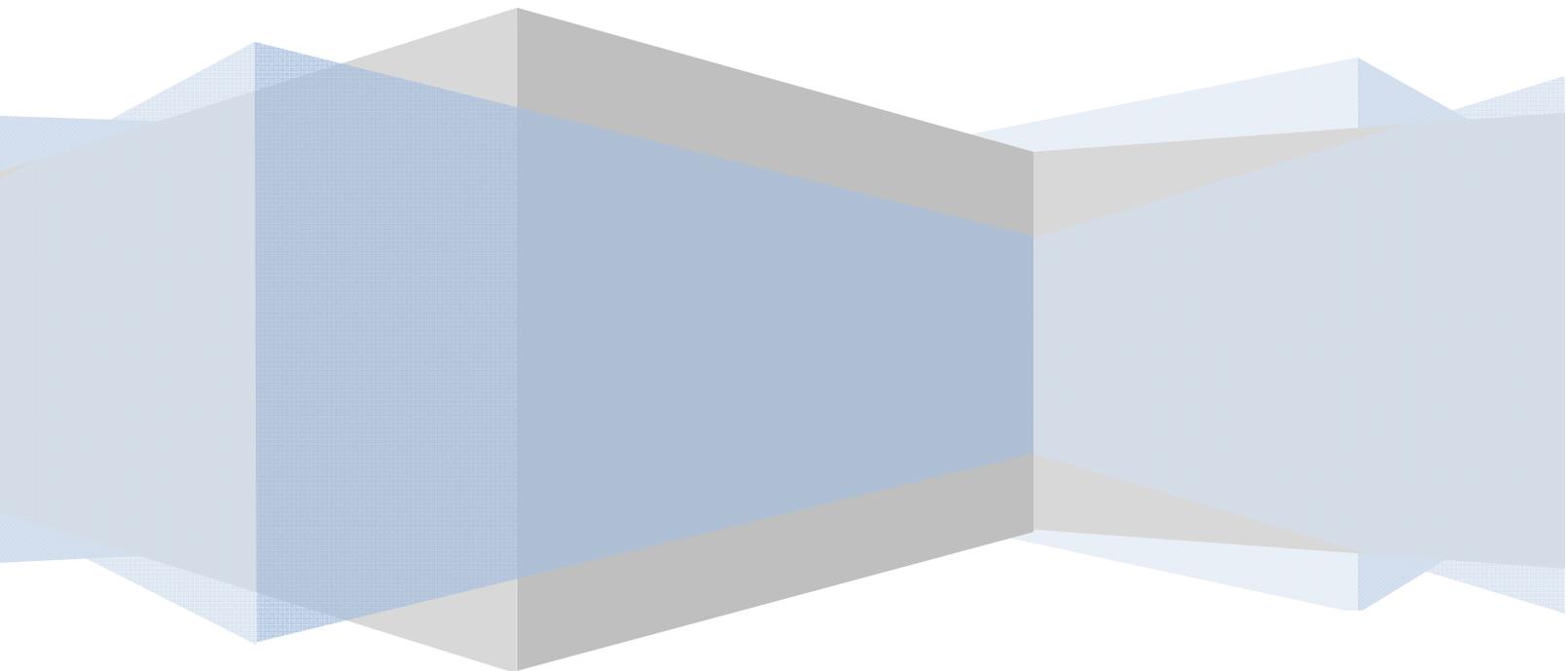


Table of Contents

Purpose and Mission	1
Purpose of the Marketing Plan.....	1
Organization Background and Mission	1
Situational Analysis	2
Current Business Profile	2
Current Market Profile.....	2
Marketing Strategy	3
Value Proposition.....	3
Target Market Profile.....	3
MINNCOR Objectives.....	4
Budget/Advertising Dollars Available.....	4
Marketing Tactics	5
Implementation Schedule.....	7
Summary	7

Purpose and Mission

Purpose of the Marketing Plan

The purpose of this document is to develop market methodology for MINNCOR, Minnesota's prison industry program. It will structure MINNCOR's approach to building a market presence to drive opportunity and convert that opportunity to revenue, offender jobs, and profitability. It is not intended to be a rigid plan but, rather, a flexible approach that will be modified as market conditions and MINNCOR's focus demand.

Organization Background and Mission

Prison industries have a long history in Minnesota, dating back to the production of twine in the 1870s and soon followed by the Minnesota Line of farm machinery. For more than 100 years, Minnesota has placed emphasis on training and employing as many inmates as possible.

MINNCOR Industries was created in 1994 by the Minnesota Department of Corrections (DOC) to consolidate and centralize its individual facility programs into a single statewide business, as well as to increase efficiency and decrease reliance on the state's general fund. MINNCOR exists for the primary purpose of providing offender job skills training, meaningful employment, and teaching proper work habits – not solely as a competitive business venture. Correctional industries provide a means to combat offender idleness and reduce costly disruptive behavior, thereby significantly contributing to the maintenance of a safe and secure environment for both staff and offenders.

Financially self-sufficient since FY03, MINNCOR has demonstrated its ability to coordinate and maintain prison industries that are efficient, productive, and safe. Receiving no state subsidies, taxpayer dollars, or grants, MINNCOR offers premium products and services to various markets and industries. MINNCOR currently operates in 6 Minnesota state correctional facilities, utilizing up to 1,200 offenders as its main workforce.

One of MINNCOR's primary business segments is serving as a subcontract manufacturer to many different companies located throughout Minnesota. By partnering with MINNCOR, these companies have benefited from a flexible/skilled workforce, broad capabilities, quality products and services, timely delivery, and competitive pricing. MINNCOR provides these subcontract services to open new opportunities for Minnesota businesses by broadening their capabilities and increasing their work force and physical space as needed. MINNCOR views this service as a key asset to Minnesota businesses that choose to utilize MINNCOR's resources.

MINNCOR strives to provide a safe working environment within the prison system and successfully transition offenders into the community at no cost to taxpayers. MINNCOR's mission is to be a customer-driven business that contributes to a safer Minnesota by providing:

- sound management that ensures financial self-sufficiency;
- delivery of quality products on time to build a loyal customer base;
- efficient reduction of inmate idleness that contributes to a secure prison environment; and
- work skills' training that prepares offenders for release.

The EMPLOY Program, MINNCOR's post-release employment service, teaches offenders to capitalize on vocational training, job skills, and skills learned while incarcerated and apply them to employment opportunities once released. EMPLOY staff provide employment readiness training and viable job leads to released participants.

Situational Analysis

Current Business Profile

Based on FY2009, 19 percent of MINNCOR's gross sales are made up of subcontract customers and represent approximately 60 to 70 percent of total offender jobs.

Current Market Profile

MINNCOR provides contract manufacturing or labor arrangements in the areas of metal production, wood production, printing/bindery, sewing, assembly/rework, packaging, bottling, sorting/weighing, gluing/soldering/deburring/trimming, and collating/mailling.

Marketing efforts are focused on Minnesota manufacturing and service industries for the following subcontract manufacturing sectors:

- *Assembly:* While companies needing assembly often outsource to foreign countries, MINNCOR presents alternatives for local companies. MINNCOR caters to the needs of companies needing subcontract assembly and the advantages of local suppliers. With a flexible workforce and varied site locations, MINNCOR is able to meet manufacturer needs.
- *Metal fabrication:* The Minnesota Correctional Facility (MCF)-Stillwater metal shops can perform plasma cutting, tube bending, metal fabrication, tungsten inert gas (TIG) welding, metal inert gas (MIG) welding, machining, and powder coat painting.
- *Wood fabrication:* MINNCOR's wood shop at the MCF-Faribault is able to handle laminating, cutting component parts, drilling, dowel inserting, sawing, shaping, sanding, painting, and staining. The major components in the casework fabrication cell include computer numerical control (CNC) beam saw, CNC wood casework machining center, and CNC drill and dowel inserting. These machines are arranged in a cellular fashion that promotes lean concepts of waste minimization.
- *Print/bindery:* The Moose Lake print and bindery shop is able to offer value-added services such as complete bindery including folding, padding, hand assembly, and saddle stitching. MINNCOR offers quality printing, superior service, prompt delivery, and excellent value.
- *Sewing:* Moose Lake and Shakopee garment shops offer sewing versatility. These shops currently use lockstitch sewing, sergers, fabric saws, 2- and 4-needle chain stitch, button, needle taper, waist bender, spreading, and programmable machines.

Table 1: FY09 Sales Revenue/Offender Workforce

<i>Location</i>	<i>Sales Revenue</i>	<i>Offenders Assigned</i>
Faribault subcontract	\$1,429,798	249
Moose Lake subcontract	295,362	17
Shakopee subcontract	803,921	98
Stillwater metal	1,699,455	30
Stillwater subcontract	879,371	117
Rush City subcontract	865,887	187
Rush City license/stickers	8,387,351	25
Clerks	NA	30
Totals	\$14,361,145	753

Marketing Strategy

MINNCOR is moving forward with an Enterprise Resource Planning (ERP) tool that includes a Customer Relationship Management (CRM) segment. Through use of CRM software, account managers and customer service representatives will be able to track marketing campaigns more easily. This integrated approach will provide the ability to respond to inquiries with easy access to customer history, inventory, and the ability to create sales quotes. The ERP will also provide an improved means to track sales and profitability by sales order, customer, and business unit.

MINNCOR target markets present opportunities for potential growth. The subcontract manufacturing sector may be impacted by stressing the importance of quality, delivery, and a skilled workforce. Market research, marketing approach, account management, and customer service will remain flexible and responsive to market needs.

MINNCOR will explore import and export companies, offering the program as a solution provider for those companies that may need subcontract work. The key to reaching this market is to make them aware of the variety of services MINNCOR offers.

As the fiscal year progresses, staff will measure each aspect of MINNCOR's marketing strategy and determine its value to business development and overall program objectives. MINNCOR will move away from those that fail to produce and explore new or alternate methods to create successes.

Value Proposition

MINNCOR Industries offers all Minnesota manufacturing and service industries a large, flexible/skilled workforce, improved margins, quality, delivery, superior customer service, geographic flexibility, and a one-stop solution provider – all at competitive prices.

Target Market Profile

MINNCOR's marketing focus will continue to be on Minnesota manufacturing and service industries for the following subcontract manufacturing sectors:

- Assembly
- Metal fabrication
- Wood fabrication
- Sewing/upholstery

Target markets listed provide MINNCOR with the greatest potential for revenue, profitability, and offender employment/skills training.

In addition to new business/market opportunities created by either new or existing companies, MINNCOR can provide an element of infrastructure or capability to enhance or help create these new opportunities. Some of these submarket potential new customers are:

- Plastics manufacturers
- Medical device manufacturers
- Cable manufacturers
- Importing and exporting companies
- Companies needing repackaging and repair
- Expanded metal product companies
- Large, subcontract metal manufacturers

MINNCOR Objectives

- Increase total sales to the subcontract market segment in FY10 to \$14,827,744 and average number of offenders assigned to 798.
- Increase or maintain sales revenue and offender assignments as shown in Table 2.

Table 2: FY10 Projected Manufacturing Revenue/Offender Workforce

<i>Location/Manufacturing Sector</i>	<i>Projected Sales Revenue</i>	<i>Offenders Assigned</i>
Faribault subcontract	\$1,714,500	268
Moose Lake subcontract	300,000	35
Shakopee subcontract	875,000	115
Stillwater metal	1,908,240	30
Stillwater subcontract	905,004	110
Rush City subcontract	786,000	185
Rush City license/stickers	8,339,000	25
Clerks	NA	30
Totals	\$14,827,744	798

Budget/Advertising Dollars Available

A total of \$54,000 has been allocated for FY10 business development promotional activities. These dollars will be used for advertisements, trade shows, exhibit and display expenses, and dues and fees.

Marketing Tactics

MINNCOR's marketing strategy suggests that efforts should be focused on channels that will reach the target audience and have a strong hold on them. Methods that fail to produce will be discarded, with new or alternate methods added to create successes.

Attempts will be made to create a presence in the import/export industry, providing solutions to issues companies face while outsourcing jobs.

MINNCOR's internet presence will increase the availability of products and services to specific, targeted market segments. Because of all the subcomponents of the subcontract manufacturing sector, listing products and services online will create a resource to reach potential customers.

MINNCOR Industries will focus on a variety of tactics to distribute its message to current and potential customers.

- *Trade shows:* Business development will increase its trade show participation in FY10 to determine the impact on new customer development. This is an opportunity for increased exposure to a large group of target customers in one venue and in a short span of time.

MINNCOR recently participated in the AmCon local trade show. This show brought in a crowd of potential buyers, all in need of a subcontract manufacturer for assembly, fabricating, forming, machining, etc. Contacts developed through participation in this trade show lead to several successful bids. In October 2009, MINNCOR will be featured at the Medical Design and Manufacturing Minneapolis Convention. This show will help MINNCOR merge into the medical manufacturing field and meet some potential buyers. A sales representative will attend the November FABTECH International and AWS Welding Show. This show will introduce MINNCOR products and services in the metal forming and fabricating industry as well as establish new business relationships and generate leads.

Other possible trade shows MINNCOR may participate in include the Wisconsin Machine Tool Show and the Plant Engineering and Maintenance Expo.

- *Journal/publication advertisements:* MINNCOR has researched many local publications that could provide a communication resource to target customers. A communications plan is being developed, detailing the publications and ad frequency to meet budget and needs.

To assist in marketing efforts, MINNCOR has placed several advertisements in local Minnesota publications. One example is the *3M Stemwinder*, a local newsletter that reaches all current and former employees of 3M as well as other business and community members who wish to follow the work of 3M. MINNCOR will place ads in *Twin Cities Business* magazine's September to December issues in order to attract businesses that may have a need for subcontract work.

- *Industry organizations/networking:* MINNCOR has recently joined several new business organizations including the Midwest Global Trade Association and the U.S. China Business Connection. These new additions to marketing efforts provide the ability to network and build potential business relationships with many companies engaged in the import/export market. MINNCOR will take advantage of all appropriate events and meeting opportunities in FY10.

In addition, MINNCOR will increase its activities with the St. Paul Chamber of Commerce in order to establish new business connections. In addition, MINNCOR will also meet with other Minnesota Chambers of Commerce to introduce them to the program's services.

- *Mailings/cold callings:* Mass mailing is one of the established ways to reach a large segment of target markets. Assembly, metal fabrication, wood fabrication, sewing/upholstery and the associated Minnesota companies within those target markets have been identified using selection criteria available through Hoovers.com. This website offers company information with detailed business reports and industry profiles. The lists of companies generated off this site have helped greatly with mailings and cold calls. In FY09, a few mass mailings were sent out to selected markets and follow-up calls were made. Although returns to mailings to date have been marginal, changes to strategic efforts may increase their effectiveness. Effectiveness of mailings and cold calls will be monitored on a monthly basis to determine the likelihood of future mailings.
- *External/internal catalogues:* In the subcontract manufacturing sector, there are no real product-type catalogues. A subcontract sales kit has been developed that can be given to interested and potential customers. The kit includes: equipment/capability listings for each MINNCOR facility, literature and a tape describing the subcontract opportunity, a complete product line cover page to cross-sell all MINNCOR products, a calendar, and a cover letter from the account manager.
- *MINNCOR website:* The current MINNCOR website is not up-to-date. Plans for a website remodeling, including fiscal feasibility, are under review. The MINNCOR website could be modified to increase awareness of value-added subcontract opportunities. This could include optimizing the ability to direct potential customer searches for MINNCOR's capabilities and products to the site, along with providing increased information on MINNCOR capabilities such as equipment listings for each area of expertise, including location and contact information.
- *External websites:* In order to increase visibility among its potential customer base, MINNCOR will place online ads in different search engines. Thomas Registry, a popular search engine used by businesses, is the site of one of MINNCOR's most current listings. On this search engine, information regarding the program's subcontract manufacturing services, locations, and contact information can be found. Other recent listings have been on Kellysearch.com (listing a variety of products and services MINNCOR offers) as well as the Forming & Fabricating Industry Directory (listings falling under job shop services such as assembly, general fabricating, machining, packaging, stamping, and tube and pipe fabricating). Research will continue through the fiscal year to locate more external search engines that would benefit MINNCOR.
- *MINNCOR showroom/prison tours:* MINNCOR's St. Paul showroom showcases various products produced in the program's shops. In addition, it is important for MINNCOR to encourage customers to tour prison sites in order to get an in-depth look at the factories and how they operate. This is essential to building and maintaining the customer base.

- *Training:* Training will be an ongoing component of MINNCOR's marketing and sales plan. Product or sales resource training will be conducted monthly to provide updated product knowledge, product cross-training, and skills training. It is the responsibility of each account manager to determine and participate in individual training that will help develop his/her skills in conveying MINNCOR's capabilities and mission.

Training will consist of but not be limited to:

- Product/capability and sales training
 - Business unit cross-training
 - Seminars
 - Individual account management skills
- *Referrals:* One other area that has been of great value to MINNCOR and will continue to play a significant role in future development of new customers is referrals from satisfied existing customers. This will be aggressively cultivated.

Implementation Schedule

MINNCOR will pursue at least one promotional marketing piece monthly (i.e., publication advertisement, tradeshow, mass mailing, etc.). These will be followed up on with phone calls by business development account managers.

Summary

This marketing plan is designed to identify opportunities for growth within MINNCOR's target markets and define activities to support key objectives for FY10. To determine whether these goals are being met, the plan's effectiveness will be measured through:

- weekly meetings to determine success of marketing efforts;
- monthly budget reviews;
- monitoring of inmate employment levels; and
- measurement of activity generated from mailings, ads, trade shows, etc., through the follow-up form (created to determine the effectiveness of advertising dollars being spent and where to better spend these dollars in the future).

The information gathered will allow MINNCOR to determine what strategies are working and what approaches need improvement. MINNCOR will be able to identify and act to improve any sales-related issue early because it has the administrative support for making these improvements. This plan will be modified as necessary due to market conditions and as MINNCOR's focus demands.