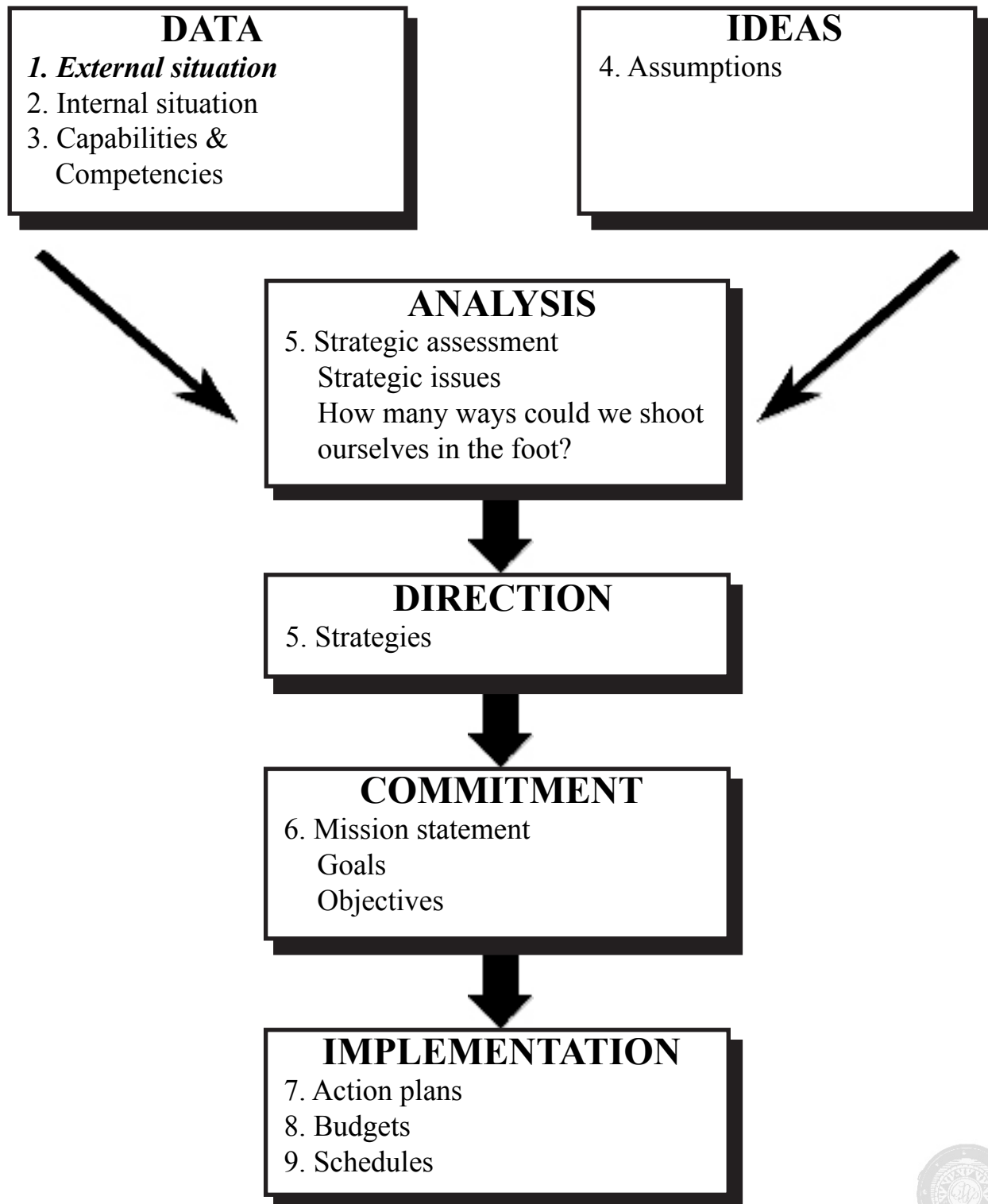


SIMPLIFIED STRATEGIC PLANNING PROCESS FLOW



This section examines the important environmental factors beyond your direct control which have a major effect on your business. The information captured in this section should be historic (the last few years) and current. All assumptions about the future should be reserved for Section 4. You will certainly need to take a look at your markets, competition and the economic situation. Technology, supplier markets and government regulations will also require examination if they have a **major** effect on your business.

Market Segmentation

Market segmentation is a particularly important concept for the small to mid-sized business. It allows a company to create an appropriate focus so as to have the potential of achieving a dominant position even in an environment where larger companies with greater resources compete. Market segmentation promotes (1) precise determination of your best market opportunities, (2) the focus of your marketing efforts on those best opportunities, and (3) the attainment of dominant market position in niches.

There are many possible segmentations for markets in which a company participates. It is important to note there is no one “right” segmentation. An appropriate market segmentation is useful for analysis and helpful for decision making. To be useful for analysis the segments should be strategically distinct and distinctive. If a segmentation scheme produces Market Segment Analysis and assumption pages (1.1-n, 4.1-n, and 4.2-n) that are very similar to one another, then the segmentation is probably not as useful as one that highlights differences which can be analyzed. To be helpful for decision making, segments should be based on divisions of the business upon which decisions can be made. Occasionally it will be important to create a segment for a special part of the business so that a clear strategic decision can be made about that portion of the business alone.

Market segmentation is a very individual decision for each business. Care, thought, and creativity should go into the creation of segments. They should not be blindly patterned after the way a trade association keeps numeric data or delegated to a marketing consultant without thoughtful input from the strategic planning team.

In order to develop an appropriate market segmentation for your business, start by breaking down **your existing business** based on what you sell (products or services) and to whom you sell it (markets) following the MARKET SEGMENTATION EXAMPLE shown on the yellow exhibit immediately following page 1.1-1. Do not consider opportunities at this time; they will be analyzed in Section 4. Study the matrix created to determine the most useful combinations for analyzing your business. Segments need not be defined strictly by product (horizontal groupings) or market (vertical groupings). Try to have no fewer than five and no more than eight total segments. Do not bother with product/segment combinations unless they are important or potentially important.

In some businesses, dimensions other than products and markets may also need to be considered. Distribution channels, quality levels, customer support levels, or the specialty/commodity nature of the market are sometimes important factors to consider when segmenting a market. For example, a business that participates in both specialty and commodity business should generally create distinct market segments for the specialty business and for the commodity business.

For each of the 5-8 segments created, a separate analysis consisting of three pages (1.1-

n, 4.1-n, and 4.2-n) should be performed.

Information Gathering

One of the most challenging tasks in the strategic planning process is researching the market and competitive information to allow analysis of the External Situation. This task is more difficult when the research targets are small or privately held. To manage this task, it is important to recognize that “perfect information” is rarely available, and it is not necessary for making strategic decisions. Thoughtful estimates that bound the range of possibilities are usually adequate. Therefore, research should be conducted only to the point that sufficient information necessary for making sound decisions is obtained.

Information about a target market or company is rarely found in one place. It is usually derived from many sources and a composite picture assembled. You should encourage a broad range of employees to participate in information gathering (after appropriate guidelines about the ethics of this process are established), and you should set up a central and easily accessible repository for the data they gather.

When seeking information about target companies and markets, try to determine where they would be considered significant and “newsworthy” and pursue those sources. Some useful sources include: Credit Bureaus (e.g., D&B), local newspapers, trade associations, competitors’ websites, vendors, customers, former employees at target, government/regulatory agencies, industry analysts, etc. Books on how to do this research and sources of information are cited in the RESOURCES AND REFERENCES at the back of this manual.

Market segment volume figures can be obtained through trade associations, business publications and the government. You can obtain a wide range of business information by broad industry categories starting with the U.S. Census Bureau at www.census.gov. Business school reference librarians can be of assistance to you in obtaining market and competitive information.

Market Segment Analysis

Page 1.1

Complete a worksheet for each MARKET SEGMENT identified in the market segmentation process described above. There should be a page 1.1-n for each market segment, where “n” corresponds to the number of the segment.

Market Segment Designation:

This should be a brief, descriptive name you give to the market segment.

Market Segment Definition:

Write a definition of the market that you are actively pursuing at this time. It should be a comprehensive definition of this market segment in sufficient detail to provide appropriate focus for analyzing the market.

Attributes commonly included in the definition of industrial customers are size, products, markets served, processes, materials used and any other attributes of the customers which significantly influence the use of your products or the choice of suppliers. Consumer customer characteristics include age, gender, family status, education, employment, home ownership, income, recreational interests, lifestyle and any other attributes of

the customers which significantly influence the use of your products or the choice of suppliers.

Definitions must be precisely stated. It is critical to have a good definition since it establishes the focus and determines what is analyzed in the subsequent questions. A good definition will accurately profile the customers in the segment.

This is not as easy as it might seem. For example, at first glance you might think that Burger King and McDonald's (or Coca Cola and Pepsi Cola) serve the exact same market segment. In fact, all of these big time marketeers make their pitch for customers that have distinctly different demographic characteristics. By doing so they carve out markets which they "own", i.e., where there is strong brand loyalty. This not only results in a competitive advantage – it may also enable them to command stronger prices in the market.

Needs Served:

Companies that achieve a sharp focus on fulfilling customers' needs are usually the most successful. The starting point is to identify and communicate those needs to our organization. Needs served are the attributes a product or service **must have** in order to be considered by a customer.

Needs Served should be defined functionally or psychologically rather than by the product itself. Recall Professor Ted Levitt's classic example of the manufacturer of drill bits who mistakenly thinks his customers need drill bits when what they really need is holes! Such an error can lead to badly misguided strategic decisions. You must discern the need that your customers fulfill by the purchase and use of your products or services. Be sure you understand the **real** need. For example, it would be a mistake for the maker of \$50,000 automobiles to think only of functional needs.

Market Preferences:

Market preferences are most important in developing your market posture. You must satisfy **Needs** to even be considered, but you must outperform the competition on **Preferences** to make the sale. Know what product/service features and benefits are most important to your customers. These may vary among market segments.

Current Total Available Volume in this Market Segment:

Identify the total size of the market which you defined at the top of the page. The size should be the total market that you are actively pursuing today. It can be estimated in several ways. The two most common are 1) a top down approach, where a broad, unfocused industry size is obtained from some public source (e.g., a trade association), and then it is cut back by each of the focusing attributes in the definition until it represents the market you are pursuing, or 2) a bottom up approach, where most of the competitors or customers in a segment are identified with the amount of business they do in the segment, and these amounts are summed to estimate the total size of the market.

Our Current Share in this Market Segment:

Divide your sales in this segment by the total available volume in the segment. One of the key concepts in strategic thinking is the demonstrated high correlation between market share and profitability. Regardless of company size, successful companies tend

to dominate the markets they serve. Successful smaller companies, of course, must dominate smaller markets. If you find your market share is very small, you may want to ask yourself if the definition for the segment is sufficiently precise and well focused.

Specialty/Commodity Mix, in Market:

Estimate the percentage of the market (as defined at the top of the page) that exhibits specialty buying behavior: willing to pay some price premium in exchange for perceived value, versus the percentage of the market that exhibits commodity buying behavior: sees the product or service as undifferentiated and buys strictly on price.

Number of Potential Customers:

This is a major influence on the intensity of competition. Fewer potential customers puts greater bargaining power in the buyers' hands. In such a situation, buyers will use this power to stimulate price competition among the suppliers.

Competitors Share in this Market Segment:

Name the competitors you face in this market segment and note their share of this segment. You should strive to cover most of the total market with the competitors listed, but it is not necessary to identify 100% of the market. In the case of highly fragmented markets, it may be more appropriate to identify categories of competitors, rather than naming dozens of similar very small competitors. The number of competitors is also a major influence on the intensity of competition.

Average Annual Real Market Growth Rate over Past Five Years:

Estimate the growth rate for the **total market**, not just your sales. Be sure to factor out inflation. Since inflation varies considerably from industry to industry, you should use the price index for **your** industry rather than the overall consumer price index or producer price index. These are obtainable from the Department of Commerce. Remember we are listing historic and current information on this page, not projections about the future growth rate.

Significant Recent Events in Market:

This should deal with any other strategic factors pertinent to the entire market.

Indirect Competition:

This is where the drill bit manufacturer needs to consider other means of fulfilling the need for holes. Sometimes this indirect competition can be extremely indirect. This is particularly true for discretionary products or services. For example, a pleasure boat manufacturer is competing against all manners of discretionary ways to use money such as second homes, bigger homes, travel, airplanes, automobiles, savings and debt reduction – to name a few.

Competitive Evaluation

Page 1.2

Fill out one sheet for your company and one for each significant competitor. Significant competitors are the 6-10 companies against whom you most often compete. They should cover all of your business, but need not be structured by market segments. Most of the entry items are self-explanatory.

Scope of Products/Services and Scope of Markets Served:

Identify the total scope of the activity of the company being investigated. You should include all aspects of the competitor's business (even those areas that are not directly competitive with your business). This allows you to understand the scope of resources and potential distractions for this competitor.

Products/Services and Market Segments Where We Compete Against This Competitor:

Identify the areas where you compete directly with the competitor in question. Competitors which have significant overlap with your business are often more vigorous competitors than those that just have tangential overlap.

Financial Information:

The measures indicated are general data that should be gathered on each competitor to evaluate its financial strength, performance, and trend. You may need to supplement the measures listed with a few industry specific measures. Financial information of this sort is not readily available for closely held companies and divisions of larger companies. You should try to get as much information as possible, but remember that "perfect information" is very rare and trying to get it can be very costly. A better approach is to get the best information possible in the first year of planning and then refine and enhance estimates in each successive cycle of strategic planning.

Distinguishing Features/Benefits for Customers:

List those features and benefits which the customers value highly and which they can only get from this competitor. It must meet both criteria. There often arise questions about the latter criterion when a competitor does not have total uniqueness, but does have superiority. This is a judgment call. The deciding factor should be whether customers recognize clear and significant superiority in the feature/benefit. Distinguishing features and benefits are often derived from Strategic Competencies and are usually the source of sustainable competitive advantage.

Key Competitive Strengths and Key Competitive Weaknesses:

This is not intended to be a comprehensive list of all strengths and weaknesses, but rather a listing of those **key** advantages and disadvantages in the marketplace. These will be your fundamental sources of success and chief obstacles to greater success in the marketplace. Do not repeat distinguishing features/benefits here.

Competitive Strategy:

Review the Competitive Strategy exhibit in Section 1 of the manual and identify which of the four strategies best describes the company in question. There are several problems you will face in completing this item. First, the subject company may not have a clear, well-defined strategy, in which case you should say so. Second, you may not be able to discern the strategy, in which case you should say so. Third, there may be different strategies in different market segments, in which case you should say so (dealing only with segments where we compete).

Vulnerabilities:

List here only those things which the competition could do to attack successfully the subject company's position in the market. Do not list all of the bad things that could

happen to the subject company.

Technology Assessment

Page 1.3

The purpose of this worksheet is to examine the state-of-the-art of technology in the environment in which your business operates. Use this worksheet only if technology is **important** in your industry. Examine efficiency, costs and availability. Be sure to deal with the technology you use as well as the technology you provide. If there are aspects of technology that are specific to a segment of your business, note it on this page, but do not prepare separate pages for each market segment. Be sure information on this page is historic or current information, saving all projections about the future for page 4.3.

Supplier Market Assessment

Page 1.4

This work sheet examines the inputs to your business. In that context, suppliers should be interpreted broadly to include not only vendors of merchandise, materials, and supplies, but also labor, benefit providers, and access to key skills. Only evaluate those markets where quality, price or availability has an **important** impact on your business. Look at such things as volume and trends, buyer and seller concentration, significant recent events and capacity use. Be sure information on this page is historic or current information, saving all projections about the future for page 4.3.

Current Economic Situation

Page 1.5

This worksheet is published quarterly by the CENTER FOR SIMPLIFIED STRATEGIC PLANNING, INC. If you are not receiving it and would like to, please let us know. This worksheet contains information about the total U.S. economy. Some businesses may need to supplement this information with regional or industry specific economic indicators. For those who participate in global markets and need to develop similar statistics for non-US economies, the Economist is a good source of information.

Significant Regulations

Page 1.6

Describe any regulations that have **particular** importance to your business. Remember to include not only regulations which may inhibit your business, but also those that are advantageous to your business. Be sure information on this page is historic or current information, saving all projections about the future for page 4.3.

SPECIALTY VS. COMMODITY

INDICATORS

SPECIALTY

- Unique “product” or “packaging”
- Market perceives clear superiority
- Sales result from having the right product
- Strong margins/profits

COMMODITY

- Little differentiation
- Substitutability
- Sales result from low price
- Weak margins/profits

TYPICAL POSITIONING

SPECIALTY

- Value-based pricing
- Exceed customer requirements
- High level of customer support

COMMODITY

- Competitive pricing
- Meet customer requirements
- Order taking



COMPETITIVE STRATEGY

	MASS MARKETS	NICHE MARKETS
SPECIALTY STATUS (Perceived premium value which commands premium price)	DIFFERENTIATION <ul style="list-style-type: none"> • Uniqueness • Brand recognition • High advertising • Low visibility of price <i>High volume/High margins</i>	SEGMENTATION <ul style="list-style-type: none"> • Special features for discrete market segments • May be customization • May be high visibility of price <i>Low volume/High margins</i>
COMMODITY STATUS (Low price)	LOW COST/PRICE <ul style="list-style-type: none"> • Economies of scale • Standardization • No frills • High visibility of price <i>High volume/Low margins</i>	ALLEY SHOP <ul style="list-style-type: none"> • Cheapness <i>Low volume/Low margins</i>



MARKET SEGMENT ANALYSIS

Market Segment Designation:

Interior Packaging for Hard Candy.

Market Segment Definition:

Geographical: Ohio, Indiana, Illinois, Wisconsin, Minnesota, Iowa, & Missouri.

Characteristics: high volume (\$100MM+) manufacturers of hard candy sold through high volume retailers.

Needs Served:

Protection from crushing.

Material must be clean and uncontaminated.

Deliveries must be on time.

Market Preferences:

Color match and consistency

Low Prices

Stable sources

Current Total Available Volume in Market Segment: \$10,000,000

Our Current Share in this Market Segment: \$2,365,000 (24%)

Specialty/Commodity Mix in Market: Specialty behavior, very little commodity behavior

Number of Potential Customers: Concentrated market – only 5 companies

Competitors' Share in this Market Segment:

Brown	33%	National	10%
ABC	10%	Others	13%
XYZ	10%		

Average Annual Real Growth Rate for Total Market Segment over the Past Five Years:

Interior packaging for Hard Candy was \$5.5 million five years ago, \$10 million last year. This is an average annual real growth rate of 12.7%. Volume has doubled in the past 5 years, though current annual growth is estimated at only 5%.

Significant Recent Events in this Market:

Largest buyer (Jones) is seeking to buy their closest competitor.

Indirect Competition (Other Products/Services that Might Fulfill the Above Needs in this Market Segment):

Die cut sleeves

Protective/inflatable bags



MARKET SEGMENT ANALYSIS

Market Segment Designation:

Contract Packaging Service in Customer Plants

Market Segment Definition:

Contract packaging service (process between customer food preparation and shipping) on-site at food processing plants, using the contract packager's equipment, materials, and staffing

Foods with low spoilage and high geometric uniformity

Geography limited to Indiana, Illinois and Michigan

Needs Served:

High quality packaging in packages that promote processor's brand

Seamless interface with the food preparation process and shipping

Market Preferences:

Systems integration capability

Packager designs and produces the packaging with multiple packaging materials (one-stop shop)

Current Total Available Volume in Market Segment: \$20,000,000 available

(is 5% of an estimated processor packaging volume of \$400 million that could be out-sourced)

Our Current Share in this Market Segment: 40% (\$7,908,000)

Specialty/Commodity Mix in Market: 80% of the available market has Specialty buying behavior

Number of Potential Customers: 25

Competitors' Share in this Market Segment:

Brown	25%	Non-producers of pkg. materials	15%
XYZ	20%	(e.g., IPOS)	

Average Annual Real Growth Rate for Total Market Segment over the Past Five Years:

15% average over the last 5 years, most recent 2 years is 20%; market did not exist 10 years ago

Significant Recent Events in this Market:

XYZ's new addition of the shipping and logistics service at one customer within last 6 months

Indirect Competition (Other Products/Services that Might Fulfill the Above Needs in this Market Segment):

Processor provided packaging operation



Market Segmentation Example

Market Served

Products		Hard Candy	Soft Candy	Bakery	Dry Pkg. Foods	Other	Total
	Interior Paper Partitions & Pads	1%	25%	4%	0%	0%	30%
	Interior Paper Tray	3%	12%	1%	0%	0%	16%
	Interior Plastic Separators	1%	3%	7%	0%	0%	11%
	Exterior Paper Boxes	5%	1%	0%	4%	0%	9%
	Exterior Plastic Clamshells	0%	0%	17%	0%	0%	17%
	Pkg. Design & Testing	0%	0%	1%	0%	1%	2%
	Contract Packaging Service	0%	5%	6%	4%	0%	15%
	Total	9%	46%	36%	8%	1%	100%



COMPETITIVE EVALUATION OF: Inno-Pak, Inc. (US)

Location(s):

Warsaw, Indiana

Ownership:

Owned by company president, L.C. Smith, who is young and energetic, yet seasoned

Scope of Products/Services:

Interior and exterior packaging made of paper, paperboard and thermoformed plastic;
Packaging design and testing service; Turnkey in-customer plant packaging service

Scope of Markets Served:

Bakery and confectionery industries, also some other dry packaged foodstuffs
Design and testing services are not limited to the food industry

Products/Services and Market Segments Where We Compete Against This Competitor:

Not applicable

Sales Volume:	\$51,876M	Profits:	\$2,653M after tax
Number of Employees:	240	Growth Rate:	20% per year

Marketing Approach:

Mix of direct outside and inside salespeople and manufacturer's reps organized on a regional basis

Distinguishing Features/Benefits for Customers:

- "Eat off the floor" clean plant
- Know customers' operations
- Design & testing plus packaging
- No hassle reliability
- Contract packaging service

Key Competitive Strengths:

- Outstanding market reputation (partic. service)
- Strong technology
- Specialized- fast turn delivery
- Low debt

Key Competitive Weaknesses:

- Some cost/price difficulty
- Strong technology but behind Brown's
- Must buy raw materials on open market

Significant Recent Events:

New lab for prototyping and testing

Competitive Strategy:

Specialty/Niche Market

Vulnerabilities to Competitors:

- Price
- Reliance on outside sources for plastic sheet



TECHNOLOGY ASSESSMENT

Process Technology (our plant)

State of the art

- Auto and semi-auto = 3,000 - 5,000 units/hr with 20 ppm defect rate

Effectiveness of technology to deliver desired product

- Automatic equipment – good for high volume work with long runs. Long change-over time
- Semi-automatic machines – most effective for a wide variety of work

Efficiency (cost effectiveness)

- Automatic equipment – fast and reliable; all sizes of high volume work
- Semi-automatic machines best all-round; for middle volume with high product mix
- Large work in middle volume is very expensive with any available technology
- Reliable product stacking equipment would offer huge productivity gains.

Availability/Acquisition Cost

- No good equipment for large work in middle volume
- Only commercially available equipment is general purpose equipment intended for other industries
- “Home grown” solutions require a master tool maker on staff...few available with industry knowledge
- Key asset for us to retain for competitive advantage.

Rate of Obsolescence/Useful life

- Process technology turns over about every 5-8 years
- Automated equipment is very costly initially and difficult/expensive to upgrade; 5 yr. life expected

Technology at competitors

- Brown is the technology leader; virtual monopoly on fully automatic equipment
- ABC, National and ourselves are on par, but less advanced than Brown
- Other competitors are “alley shops” with little technology

Service and Administrative Technology

State of the art

- Fully integrated IT system with: real-time mfg. data to customers via Internet & direct transfer from customer to CAD/CAM; order entry from sales force via laptops/PDA's; customer data capture in CRM
- Package design on 3D CAD systems

Technology at competitors

- We are far behind the state of the art on administrative IT, but so are our competitors
- We lead the pack with our state of the art package design systems without auto-link with prototyping

Product Technology

State of the art

- 100% biodegradable product with no loss of protection or anti-stick properties
- Permeable, recyclable plastic for produce packaging
- Labeling and brand graphics integral to the packages

Technology at competitors

- Our recently patented “Green-Pak” is far ahead of all competitors
- We, like our competitors, expect customers to deal with labeling in their own plants



SUPPLIER MARKET ASSESSMENT

Solid Bleached Sulphate Paperboard

1. Economics:
 - Many suppliers – fierce competition
 - Capital intensive – least attractive part of the paper industry
 - Running speeds have increased – giving added capacity
2. Uses/Quality: Primarily Food Packaging
3. Industry Growth & Pricing:
 - Growth rate = Food industry
 - 90-95% capacity utilization is normal – surges in demand cause shortages and predatory pricing
 - Price increases tend to be passed through. Market softness offers opportunity to negotiate better price with “hungry” mills and good relationships with primary suppliers and multi-year contracts can minimize volatility in price and supply
4. Competitive Positions:
 - We maintain three suppliers
 - Brown has its own mill

Plastic

1. Economics:
 - Our primary supplier of polystyrene is a sub of Brown; our other qualified supplier can only supply 30% of our requirement
 - Other plastics come from multiple, non-competitor sources; off-shore sources are improving
2. Uses/Quality: Packaging and protective coating/sheeting
3. Industry Growth & Pricing:
 - Similar to chipboard except for 20% swing in price during a year due to oil prices
4. Competitive Positions:
 - We and XYZ are the only competitors who do not extrude any of our plastic materials; short-term advantage due to excess extrusion capacity but likely long-term disadvantage

Labor

1. Economics:
 - Our overall wage rates + 23% fringe are 5% less than national industry average
 - Wage increases have run slightly ahead of the inflation rate for the past 3 years
2. Supply:
 - Supply of semi-skilled workers has dried up. We are finding it necessary to hire untrained, entry-level employees and train them (retention only 60%)
 - There has been high turnover of skilled operators due to competition from the new auto plant (3 years to train)
 - We have begun to use executive recruiters for professional positions with corresponding increase in hiring costs



CURRENT ECONOMIC SITUATION

	3/2006	12/2006	3/2007	Change from 1 yr. ago	Change from last qtr.
GDP in 2000 dollars	11,316.4	11,513.0	11,531.7	1.9%	0.2%
Disposable Income/2000\$	8,276.8	8,441.7	8,540.1	3.2%	1.2%
Total Pers. Consumption	9,132.4	9,478.5	9,705.0	6.3%	2.4%
Personal Savings divided by					
disposable income	-0.03%	-1.09%	-0.96%	-0.9%	0.1%
Orders for Plant and					
Equipment/92\$	68.951	63.407	63.146	-8.4%	-0.4%
Ratio of Inventories to					
sales/92\$	1.26	1.28	1.27	n.a.	n.a.
Exchange value of US\$	85.2	80.9	79.9	-6.2%	-1.2%
Total Civilian Employment	143,641,000	145,926,000	145,786,000	1.5%	-0.1%
Total Unemployment Rate	4.7%	4.5%	4.5%	-0.2%	0.0%
Ave. Weekly Mfg. Hours	41.1	41.0	41.2	0.2%	0.5%
Private Housing Starts	1,960.0	1,629.0	1,528.0	-22.0%	-6.2%
Index of Ind. Production	111.2	112.2	113.0	1.6%	0.7%
Mfg. Capacity Utilization	79.8	79.9	79.6	-0.3%	-0.4%
Money Supply (M2)/82\$	6,778.4	7,027.3	7,218.9	6.5%	2.7%
Prime Rate	7.53%	8.25%	8.25%	0.7%	0.0%
30-yr Conventional Mortgage	6.3	6.1	6.2	-0.1%	0.1%
Crude Materials Price Index	178.6	191.3	203.6	14.0%	6.4%
Producer Price Index	159.0	161.5	165.5	4.1%	2.5%
Consumer Price Index	197.8	202.8	206.0	3.1%	1.6%
Composite Leading Indicators	138.4	138.0	137.4	-0.7%	-0.4%

p=preliminary; r=revised; n.a.=not applicable

All figures are in annualized billions of dollars except for Employment, Hours, Private Housing Starts, Indexes and percentages. All \$ numbers are in current dollars except as noted.

Sources: The Federal Reserve Bank of St. Louis; The Conference Board

STEVE: Must update this page with the latest CES in May 2009! Also: Must substitute a worksheet master for this page so that the footer matches and updates with the other pages! Not sure why this is not working.

SIGNIFICANT REGULATIONS

1. We are undertaking a safety program, at a cost of \$250,000 to meet OSHA requirements.
2. The Department of Natural Resources has ordered us to provide 24 hour monitoring of effluent, at an estimated annual cost of \$350,000.
3. The regulations promulgated by the FDA pursuant to the Bioterrorism Act have not required our industry to provide FDA documentation on all food packaging. However, this possibility is being reconsidered. If adopted it will increase our total cost by 6%.
4. Twelve states have enacted or are currently considering regulations requiring all packaging to be either biodegradable or recyclable. This has no impact on paper-based products but does place all polystyrenes in possible jeopardy. Our testing indicates that we can switch our thermoformed products to vegetable-based materials and be an early adopter in our industry. Alternatively, we can utilize other non-biodegradable, but recyclable resins.
5. Other current or likely regulations pose an equal burden on all competitors



