

Market, Distribute, and Profit from Your Kitchen Creation



sell
your
specialty
food

“A go-to book for any
start-up food company.”

— *O, The Oprah Magazine*



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Winner

Stephen F. Hall

Praise for Previous Editions

“Wow! All this information in one place. I can’t put it down. Thank you for your book. I cannot wait to read every page.”

—Deanna Ansell, Ana-de Country Kitchen

“Hall tells readers how to break into the specialty food industry. It’s all between the covers of this excellent guide.”

—Bookviews.com

“The gourmet food industry is perfect for entry-level food distribution in this country: it lends to testing new products, it doesn’t require large start-up investment, and it’s a fast-growing industry. To enter, consult Food Marketing International president Stephen F. Hall’s latest edition: it outlines and analyzes all kinds of food marketing opportunities for small cottage industries new to the business, discussing everything from building a product’s concept using trade shows, brokers, and more. A ‘must’ for any newcomer cook who would market a product.”

—Midwest Review of Books

“Hall takes the reader step by step through the entire marketing process, offering guidelines on market research, packaging, pricing, and advertising. Interesting vignettes on actual successes and failures allow a realistic view of possible scenarios. The appendixes, which make up a good portion of the book and list trade shows, journals, associations, sample forms, and so forth, are terrific quick resources that significantly enhance this already strong and well-written guide.”

—Library Journal

“Practical and strategic. I use the guide as the text for the weekend class that I teach through University of California Davis Extension, Getting Started in the Specialty Food Business. You won’t be guaranteed success just because you make a great tasting product; Hall discusses how you need to package, market and distribute your product effectively.”

—Shermain D. Hardesty, PhD, University of California—Davis

Specialty Food Resource

**Market, Distribute, and Profit from Your
Kitchen Creation**

**FROM KITCHEN
TO
MARKET**

Sell Your Specialty Food

6th Edition

STEPHEN FARRELLY HALL



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Introduction

The specialty food industry has exploded. A combination of factors has led to exciting opportunities for food entrepreneurs. Retail sales of all specialty foods are generating revenues of more than \$75 billion a year and averaging annual growth of more than 8 percent. To some, this means great opportunity. To others, it represents a formidable challenge.

Your ability to grab a slice of this pie and make your mark, establish your independence, achieve success, and acquire wealth will depend on how effectively you prepare—and prepare you must!

How to prepare for the opportunities and challenges of taking your food products to the appropriate store shelves is the subject of this guide. You need not know the basics of small business operations just yet. For now, success will depend on your personal and business vision, drive, talent, and the amount of capital you can raise.

Let's put that last item into perspective: the average cost of getting national grocery store shelf exposure for a new product by a branded manufacturer has been estimated at more than \$6 million.

Still reading? Take heart. There is a proven alternative: the specialty food industry. It has become the proven vehicle for entry-level food distribution in the United States. Different market segments and new products can be tested in the specialty food industry without the initial investment required of the major food producers. The secret has to do with superior execution of often ordinary ideas.

How Long Does It Take to Be Successful?

Here are the *Food Entrepreneur Magazine* 2011 survey responses in order of prevalence:

- Two to three years (28%)
- Three to four years (21%)
- One to two years (21%)
- Four to five years (7%)
- Less than one year (2%)
- Five to six years (2%)

How Much Will It Cost You?

Depending on your approach, you can expect to incur minimum start-up costs of approximately \$35,000 to \$100,000 and more each year for the first three to five years. This includes production, packaging, labeling, advertising, and promotion of one product. It does *not* include the cost of success. Many firms that won “Outstanding Product Awards” were ill prepared for the next move. Not all of them succeeded in profiting from their good fortune. This estimated cost also assumes that you will be doing a lot of the leg work (administrative, invoicing, database management, sales calls, and so on).

Our purpose is to explore the inner workings of **niche marketing**. Niche marketing entails finding the best combination of product packaging, pricing, positioning, and promotion that will

Life Before Specialty Food Marketing

What food entrepreneurs did before starting a specialty food firm (in order of prevalence):

- Other business, non-food-related (52%)
- Other food-related business (14%)
- Medical profession (11%)
- Education (8%)
- Nonprofit charity (8%)
- Entertainment (3.6%)

—*Food Entrepreneur Magazine* 2011 poll responses

encourage the consumer to purchase a product not otherwise offered by the major suppliers. Imagination is a key ingredient, but adequate funding is essential.

In addition to the above, a successful undertaking requires you to center your activities on your competitive strengths, control your costs, know your competition, and learn how to manage the entire process effectively and professionally. As with most new food entrepreneurs, you will have to learn to deal with finding resources, motivating employees, developing a compelling vision, and even handling family issues.

We are not addressing what you can do with a several-million-dollar budget. Rather, this guide deals with the essence of entrepreneurship. There is a lot of “ready, fire, aim” in the gourmet food-marketing process that leads to some success and frequent failure. This guide helps you accomplish most of the “aiming” during the “ready” phase.

Specialty food marketing requires creative responses. As soon as you adopt a successful marketing strategy, you may learn of another entrepreneur who is just as successful but who has implemented an entirely different marketing scheme!

How to Use This Guide

From Kitchen to Market - Sell Your Specialty Food helps you learn all the secrets about profitably marketing food, a process that generally entails everything from product concept and production to after-sales service. This edition addresses important and developing aspects of specialty food marketing not addressed in any other book, such as the growing role of the Internet and the place for information technology, and provides up-to-date resources for getting your business off the ground.

In addition to explaining packaging, labeling, pricing, storage, and shipping, *From Kitchen to Market - Sell Your Specialty Food* tells you how to advertise, promote, and sell your product. Flowcharts describe how to process the orders you generate. Major sections include “Guidelines for Success,” which you can use as you prepare to take your product to market. New sections deal with how to exploit overseas opportunities, the personal characteristics of an entrepreneur, business management software,

risk management and liability insurance, order processing and accounting software, and how to grow your enterprise.

“Recipes for Success” are used throughout the book to highlight experiences of specialty food entrepreneurs. In this edition, “Recipes for Success” identify the successes—and failures—of many winners of the National Association for the Specialty Food Trade (NASFT) Specialty Outstanding Food Innovation (“sofi”) Awards with the purpose of showing you that it takes more than an award to ensure your success.

From Kitchen to Market - Sell Your Specialty Food is designed for both small cottage industries new to the food business and for large food processors and overseas food companies interested in learning how the U.S. specialty food trade functions.

Specialty food marketing is addressed in a straightforward, logical manner. The book begins with introductory comments, followed by a general discussion of the industry. It proceeds to discuss the issues relevant to understanding your readiness to be an entrepreneur, preparing your product for the market, and taking your product to market. The appendixes offer information about additional sources of assistance along with useful data regarding trade shows, trade journals, professional associations, etc. Most, if not all, of the resource listings are regularly updated on our website: www.specialtyfoodresource.com.

You will probably not need this guide if your name is Paul Newman or Wolfgang Puck. Deep pockets can make the difference between success or failure for a high-quality product. However, if like the rest of us, you have neither the funding to support a major marketing effort nor the clout to see it through, then this guide is for you.

Where Does Capital Come From?

What revenue source did you initially use to finance your venture?

- Personal savings/inheritance (60%)
- Credit card(s) (12%)
- Family and friends (11%)
- Second mortgage/commercial loan (5%)
- Venture capital (5%)
- Small Business Administration (SBA) or other government-financed loan (5%)

—*Food Entrepreneur Magazine* 2011 poll responses

Before you begin: Do you want your food operation to be a full-time occupation or a sideline business?

One of the following scenarios may describe your circumstances and could help you respond to the important issue of just how involved you would like to become in the business. All four of these scenarios have played out, with varying degrees of success, in the gourmet food industry.

Scenario 1

You have just returned from another successful church bazaar where your homemade supply of organic, sugar-free apple-cranberry chutney sold out. Your chutney is based on a family recipe handed down for generations. Your friends and neighbors urge you to sell your chutney to Whole Foods, where they think it will be a great fit. You think it's a wonderful idea, but you haven't the foggiest idea of where to begin.

In this scenario, the entrepreneur has to decide, after significant investigation, whether to continue in the sideline mode or to take the risk of turning the operation into a full-time business.

On the one hand, the owner has a product that has been tested, in a fashion, with positive reactions from customers, friends, and neighbors. There is reason to believe that success, at least initially, might be achieved with a reasonable expectation of profit. On the other hand, what level of funding is required for the venture? If the owner has an outside source of income, then the venture may be undertaken. Otherwise, the possibilities for negative cash flow (more money going out than coming in) are quite high.

Scenario 2

Your specialty food store is doing a lot of business. You are especially pleased with the success of your prepared foods section, in which one item is your home-baked, seasoned breadsticks. You note that there seems to be a growing interest in this product from a broad segment of your customer base. You wonder if it would be possible to sell the breadsticks to a wider audience in other markets in your region. Where to begin?

If the second scenario fits, then your food marketing venture could be supported by revenues from the existing retail operation. This makes market entry more attractive, because many initial costs of operation could be absorbed by the retail store sales of other products. Nevertheless, you will have to devote substantial time to developing markets for the breadsticks, which will take away from time spent in the store. If this can be accommodated, then a full-time sales and marketing operation can be adopted.

Scenario 3

You have recently taken over a small, local chocolate-manufacturing concern. Until now, revenues have come from bulk sales to walk-in and mail-order customers. You think there are substantial opportunities for developing a retail packaged version, and you want to begin distributing it to stores all over the country. How do you proceed?

This scenario offers some of the same challenges as Scenario 2. Both require investing substantial time at the existing business. Scenario 3, however, offers a chance to expand an existing base of sales to customers located outside of the local area. It also provides an existing source of revenue (from retail packaged sales) on which to base some of the expansion costs. It would appear, then, that turning the chocolate operation into a full-time sales and marketing operation might be an appropriate alternative.

Scenario 4

Your family and friends love your honey-and-pecan mustard. You have been very successful in selling it at the local women's exchange and farmers' market and at area school fairs. You also ran an ad in a slick "upscale" magazine that cost you a fortune but produced results in Internet sales sufficient to cover the cost. Your life is too busy to contemplate going into a food business full-time. What do you need to know about this business to make a little money on the side?

The challenge in Scenario 4 is to transform your hobby into a sideline business. You can take your talent, your recipes, your promotional genius, and your money and have your product produced, packaged, warehoused, and marketed by another company. You will definitely need the supporting funds and the knowledge of how specialty food marketing works.

Your situation may differ from these scenarios but still have the opportunity to turn your food ideas into an endeavor that gains you financial independence. The specialty food business is one way of obtaining a significant shot at achieving success and acquiring wealth.

Now that you are armed with a sense of how your situation fits into the range of possible scenarios, read on to learn how to take the next step in the exciting and challenging world of specialty food marketing.

Specialty Food Resource

Chapter 1

Do You Have What It Takes for Long-Term Success?



INGREDIENTS

- 1 The Importance of Formulating a Future: Vision
- 3 The Importance of Understanding Your System
- 4 Why Do You Need to Think about a Mission?
- 6 Values and Beliefs
- 7 Key Results Areas
- 7 Your Strategic Framework

Although you are just getting started, now is the time to think about your long-term vision for your business.

Long-term success boils down to being customer directed and process oriented, and making decisions based on facts. Long-term success is not ensured by wholly intuitive, seat-of-the-pants marketing. Of course, there have been, and always will be, exceptions to prove this rule.

The Importance of Formulating a Future: Vision

In the food business, the exceptions are usually based on products that are in high demand—ones that consumers will do or pay anything to get—or those that are associated with, and introduced by, marketers with deep pockets. Even then, if the product does not meet a specific consumer need at the right quality and right price, it will be short-lived.

We can no longer simply afford to think up a new food product, prepare it, and try to market it. Instead, use the information from Figure 3.1.

How does all this connect to the food entrepreneur? How does the entrepreneur, wearing all the hats at once, maintain focus? The answer is *vision*. Simply put, your vision is what and where you envision yourself being (as food entrepreneur, professional, spouse, parent, neighbor, citizen, etc.) in about five to ten years. It is your dream. As a food entrepreneur, your vision should be a positive and inspiring statement of where your business will be at that time. A clearly articulated vision will help you and all your stakeholders (anyone with an interest in your venture) keep on track. Important elements of your organizational vision might include reputation, products to offer, values, types of customer, working environment, manner in which your people would work together, and how you and you team would handle both good and bad times.

You will want to share your dream with, and solicit input from, these stakeholders to develop the strongest possible vision. Revisit your vision from time to

Abraham Lincoln

President Abraham Lincoln was a success in politics but a failure in small business. In his case, failure was due mostly to temperament and disposition. As the saying goes, "He had no head for business." Would he have fared differently with the wisdom in this book? We can only guess.

time. See how it can be constantly refined. Your vision will help you determine if the task or activity you are doing now is adding value to getting from where you are to where you envision yourself being in five or ten years.

What you are doing, or about to do, in food marketing is part of a system. This system consists of inputs, actions, and outputs. If you can develop the right supplier partnering (inputs), understand variation in your process (actions), and be able to set

measurable quality standards (outputs), you have a substantially greater chance of delighting your customer.

To delight your customers, everyone involved must devote sufficient time to education and training in developing a quality philosophy. This is probably the most difficult part of this process: taking assets away from what we do best—fire-fighting—and focusing them on long-term thinking.

In fact, food marketing, and the business supporting it, *cannot* continue in the same vein as it has in the past. The food industry is notoriously product driven. We are being snookered out of profit-generating opportunities because we lack vision—a vision based on perceived customer quality standards. Make the bold move. Cut the waste. Set aside a half hour or more each week to think about your vision. See if the path you have selected is headed in the desired direction.

Your vision—your dream for the future—is just one important element to consider in your continuous improvement effort. Other elements include the mission (what you do to realize your vision), guiding principles (standards of how you do business, your values and goals), and strategic objectives.

A Vision Example

"[In the year 20xx], our company is internationally recognized as the premier supplier of [your food products]. We regularly exceed customer expectations by providing innovative and valuable [your food products]."

The Importance of Understanding Your System

Assumption: You want to develop, produce, administer, market, and sell food that is valued and wanted by customers. As the quality of your work improves, so does your productivity—and costs go down. Knowing how to make this happen requires knowing something about *continuous process improvement*. The term is self-explanatory. All of the processes you want to improve all the time are part of a *system*. What you do as a food entrepreneur should be understood in context of this system.

Your system consists of the following components:

- **Inputs:** Customer needs/feedback, ingredients, packaging materials, trained employees, etc.

- **Food processes:** What you do to formulate and prepare your food product (your response to the customer need)
- **Outputs:** The packaged, labeled, priced, and positioned product
- **Outcomes:** Many satisfied repeat customers (or the opposite)

Managing your system from a broad perspective necessitates developing your company's vision, mission, guiding principles, and strategic goals and objectives.

Why Do You Need to Think about a Mission?

Once you have articulated and shared your vision with everyone in your firm, you will need to figure out what you are going to do to realize it. The result is called your mission.

How to Develop a Mission Statement

The first and last rule is to know your customer. This presumes that you have people who want to buy and consume your food. It also presumes that you know something about your customer's needs. This information is then compared with

A Mission Example

"Our company produces the best [your food products] that offer outstanding value and result in regular and repeat sales. We do this in a working environment that is customer oriented and in which our employees are fully involved team members. We make decisions based on facts. We continually plan, track, and measure performance. Our mission success is every employee's business. Management relies on team members—who know the work better than anyone else—to tell management how to help do the job better. We strive to produce the right product, the first time and every time, at a price both we and our customer can afford."

your “bag of tricks”—your distinctive creative and production capabilities—which you utilize to formulate a response to the perceived customer needs. This process can be accomplished by brainstorming ideas.

A clearly defined organizational mission will go a long way in building your employees’ pride, dedication, and team effort. The key to this is to organize for quality.

Brainstorming Is a Useful Tool

Organize your mission team. This should consist of five to seven members from various departments in your company. As a small business, this might be everyone. Gather them for a brainstorming session. Brainstorming involves each member and encourages open thinking. There are a variety of brainstorming types. We suggest the following (from Peter R. Scholtes, Brian L. Joiner, and Barbara J. Streibel, *The Team Handbook* (3rd ed.) [Madison, WI: Oriel, 2003]: 2-38 to 2-39):

The rules for conducting a brainstorming session are as follows:

- Encourage everyone to freewheel. Don’t hold back on any ideas, even if they seem silly at the time. The more ideas the better.
- No discussion should take place during brainstorming. That will come later.
- Let people “hitchhike”; that is, build upon ideas generated by others in the group.
- Write *all* ideas on a flipchart so the whole group can easily scan them.

RECIPE FOR SUCCESS

M. J.’s Fine Foods Inc.’s cofounder Margaret Sarrasin, in business for eight years, believes that a 24/7 mentality is absolutely required to succeed. The company’s NASFT award-winning Margaret’s Chives and Garlic Artisan Flatbread took three months to roll out with a dollar investment of just \$1,000. It also has a 2008 entry, Onion Confit with Fennel.

Sarrasin’s advice: “You will have to challenge conventional thinking and turn existing resources into new opportunities, and at the same time you will add value to your organization.”

The general sequence of events in a brainstorm is as follows:

1. Review the topic, defining the subject of the brainstorming session.
Often this is done best as a why or what question (e.g., “What are possible ways to inform and train supervisors and hourly workers on all three shifts?” “How can we get all the information we need on a regular basis to complete these forms on time?”)
2. Give everyone a minute or two of silence to think about the question.
3. Invite everyone to call out their ideas. The meeting facilitator should enforce the ground rules (“No discussion! Next idea . . .”).
4. Have one team member write down all ideas on the flipchart, pausing only to check accuracy.

Feel free to modify this procedure to fit the group and the topic. For instance, you could have everyone write down their own ideas, then go around the group and have each person say one idea, continuing in this way until everyone’s list is voiced. Or you could do the entire sequence in stages: (1) have everyone think of the minimal or partial solutions to a problem; (2) then have them think of the most outrageous, unconventional, or expensive solutions; and (3) finally try to meld the two together into reasonable alternatives. Be particularly alert for ways to combine suggestions.

Brainstorming will help you define your mission and will clarify how you will go about meeting, even exceeding, perceived customer needs and expectations. This is your mission. It’s what you do, the nature of your business.

Values and Beliefs

Before taking a trip with a group of like-minded people, you have to ask yourselves: “Why do we want to go on the journey? What is our common purpose?” It is important that fellow travelers focus on “Why this particular caravan? Why as a fledgling food entrepreneur?”

This set of values and beliefs helps you decide how comfortable you will be on your journey with others. This set of behaviors forms the culture of the team traveling together. This culture helps you establish your expectations for yourself and others. This way, you know how to work and play together.

Key Results Areas

As part of setting up your company for the journey, ask the following questions: “What do we need to give constant care and attention to throughout our journey? In which areas do we need to achieve results to optimize our resources and be most effective? How will we measure ourselves in each of these areas?” By addressing these “key results areas,” you establish your own goals and measurement system to ensure you get where you want to go in the manner you want to get there.

You can now envision the whole picture of what your journey will be like, with whom you are traveling, what to expect of each other, and why you have chosen to travel together. This strategic framework is what you will communicate to others if asked why you have chosen to travel in this caravan. Think of the strategic framework as a road map for a journey that you want to take.

Each part of this strategic framework—the vision, mission, values and beliefs, and key results areas—plays an important part in guiding a successful journey for everyone involved.

Your Strategic Framework

Food entrepreneurs often wonder what the value is in investing all the time and energy required to develop a strategic framework—vision, mission, values/beliefs, and key result areas. Once created, it is only occasionally seen in business documents. Leveraging these elements to optimize your performance and the performance of others throughout your enterprise will result in you and your staff having a sense of fulfillment, as well as building a strong, united culture.

Creating Your Strategic Framework

The process of creating a strategic framework differs with each firm. First, there must be a leader to champion the process, one who has both the authority and influence to approve and implement the framework once it has been created.

The wider the participation in developing the framework, the more likely advisors and staff will understand and buy into it. Creating a strategic framework is best viewed as an educational and a change management process with the goal of improving overall company performance.

Once the framework has been created to your satisfaction, there follows the challenge of implementing it as a working document throughout your firm. The initial rollout can be referred to as “sharing the vision.” Here, you inform others both inside and outside your company (key stakeholders) about why and how the document was created and how it will be used throughout the business. This working document is best left unaltered for at least six months so that its effectiveness can be tested.

Applying Your Strategic Framework

Your strategic framework has several direct applications for both day-to-day and long-term decision making. These are some of the most obvious:

- Developing policy and procedures
- Hiring and orienting new employees

RECIPE FOR SUCCESS

Celebrating ten years in business, Jean Marie Brownson stated that Frontera Foods Inc.'s original goal was 300 cases of gourmet salsa, then 500 cases. As it grew, it expanded its line from the first 5 original salsas to 11 salsas and has developed product extensions with Frontera's Guacamole Mix and Black Bean Chili Mix.

Frontera's vision is to bring the dynamic, vibrant flavors of Mexico to the American consumer.

Brownson's advice: “Listen to consumers. They will tell you what they want and need and what they are willing to pay”

- Performance management—forming and achieving goals, self-discipline, and collaboration
- Career development
- Supplier/vendor relations

The above activities must align with your mission, values, and beliefs and other elements of your strategic framework to drive you towards the results you seek to achieve. A worthwhile test of the alignment of your strategy and your organization's behavior would be to take each of the above and discuss how your strategic framework applies to it.

Specialty Food Resource

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Acknowledgments

This is the sixth edition of this guide, and I wish to acknowledge all those good souls who have made it possible.

Someone once said, “By the time a book, any book, gets to its fourth edition, it becomes a classic.” I wonder about this, and I remain in debt to all of those who assisted me in getting the book to its fourth edition. If it is a classic, it is because of them.

First, I could not have written this tome without the altogether unending good humor, editorial counsel, and exhaustive research of my wife, Patricia Teagle.

I am grateful for Encore Foods President Ron Johnson’s level-headed and healthy enthusiasm about the specialty food trade. His observations have balanced well with some of the highly entrepreneurial processes we see among the new-to-market food processors.

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I am grateful, further, to my late friend Page Pratt, cofounder of Food Marketing International, with whom I shared many a rewarding marketing moment, and to my first editor, Jean Kerr, whose unflappable disposition eased the burden of perfecting the first edition of this book. Finally, I would like to acknowledge my late colleague, classmate, and best friend, Rolff Johansen, for bringing civility and wit to our hectic earlier years in specialty food marketing.

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FIX THIS !!!!!!!!!!!!!!!!!!!!!!!!!!!! !!!! AND PAGINATION

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About the Author

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