Issues to Consider

- USDA estimates that at least two out of every three new food products introduced into the market fail due to lack of customer appeal.
- Only one in five new businesses succeeds for more than five years.
- The average time spent on developing new food products is about two years.
- Product development includes product repositioning, line extension, and reformulating existing products.
Planning

- Is having a plan important to your success?
- You tell me

Packing Driven Failures

- Price point too high
- Folks don’t want healthy at McDonalds

Failure to know your customer
Brand Extension Failures

Some are just bad ideas

A Business Plan Doubles your Chance for Success –
Entrepreneur Survey of 2877 Entrepreneurs

AgPlan

- https://www.agplan.umn.edu/
- Or Google AgPlan
- Free Business Planning tool
Americans say health concerns influence purchase decisions, but convenience and taste have more influence!!!

Convenience Foods

What are you doing to save time?

U.S. Food Trends

• Fifteen years ago, the average meal preparation time was approximately one hour.
• Sunday meals that took hours to prepare are now rare.
• Today, the preferred meal preparation time is 30 minutes.

Source: Major Trends Driving Change in the U.S. Food System, 2009, Wysocki, Allen F., Assistant Professor, Department of Food and Resource Economics, University of Florida, Gainesville, Florida.
Consumers now have:

- More money
- Less time
- Fewer domestic skills
- Less inclination to devote time to food-related chores.

Result: there is an increased demand for foods that can be prepared in a short period of time.

Source: Understanding Consumer Trends Can Present New Opportunities, Alberta Government

Convenience is Expected

- Convenience has become an expected but secondary feature of introductions.
- In nearly all instances, these benefits are secondary to more in-demand product features like locally grown, health, etc.
- The two most common convenience attributes are:
  1. added portability
  2. ready-to-use.

Restaurant Trends

Top 10 trends

1. Locally sourced meats and seafood
2. Locally grown produce
3. Sustainability
4. Nutritiously balanced children’s dishes
5. Hyper-local (e.g., restaurant gardens, do your own butchering)
6. Children’s nutrition
7. Sustainable seafood
8. Gluten-free/food allergy conscious
9. Simplicity/back to basics
10. Farm/estate-branded ingredients
Institutional Trends

College Student Cafeteria - Food Trends

Food trends in 2009:
1. Locally grown fruits and veggies
2. Crispy garlic--ginger chicken wings
3. Mac 'n five cheeses
4. Vietnamese pho
5. Green tea and pomegranate smoothies
6. Crab cake sliders
7. Mini samosas
8. Tilapia Veracruz
9. Goat cheese salad
10. Chicken mole

Food trends in 1989:
1. Hot dogs
2. Pizza
3. Pizza
4. Chicken nuggets
5. Egg, bacon, and cheese English muffin
6. Half-sandwich and cup of soup
7. Taco bar
8. Spanish beef and rice
9. Vegetarian bean chili
10. Algerian lamb stew

Who is your Target Market?

Demographic US Pop. Hot Sauce Hot Sauce Enthusiasts Pork Consumers Frozen Pizza Consumers
Gender
Male 50% 80% 43% 8.9%
Female 50% 20% 57% 90.8%
Age
18-25 35.3 25 35 47
26-34 35.3 25 35 47
Income
$34,076 $60,000 $31,000 $43,641
Education - College grad. 23.6% 78% 41% 16%
Household Size 2.65 1.45 2.65 2.47

Target Market Examples
**Pricing**

- How are you going to price the product:
  - Commodity pricing
  - Premium
  - Cost plus
  - Quantity discounts

- Whatever the method, it is important that the customer understands the arrangement.
- Make sure pricing includes total cost:
  - Purchase of raw materials
  - Processing
  - Packaging
  - Distribution
  - Marketing and promotion.

**What types of media do they use?**

- Radio - mornings and late afternoon
- TV - early evenings weekends only
- Publications
  - Health
  - Nutrition
- Internet
- Friends and Family
- Associations or groups

**Distribution - How will you get Products to Consumers?**

- Distributors
- Brokers
- Retailers
- You

- Think about it, Dairy in FLA - 50 stores around Tampa area. How can you deliver economically?

**Marketing Channel Mark-ups**

<table>
<thead>
<tr>
<th>Organization</th>
<th>Mark-Up Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker*</td>
<td>5%-15%</td>
</tr>
<tr>
<td>Distributor*</td>
<td>25%-30%</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>10%-20%</td>
</tr>
<tr>
<td>Retail</td>
<td>30%-50%</td>
</tr>
</tbody>
</table>

* May charge an up-front fee ranging from $1,000 (broker) to a $10,000 large distributor
**Mark-up Example**

<table>
<thead>
<tr>
<th>Retail Price</th>
<th>Selling Price</th>
<th>Markup (40%)</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.79</td>
<td>$0.51</td>
<td>$1.28</td>
</tr>
</tbody>
</table>

**Distributor**

<table>
<thead>
<tr>
<th>Selling Price</th>
<th>Markup (27.5%)</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.28</td>
<td>$0.28</td>
<td>$1.00</td>
</tr>
</tbody>
</table>

**Your Company**

<table>
<thead>
<tr>
<th>Selling Price</th>
<th>Profit Markup (25%)</th>
<th>Total Cost per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.00</td>
<td>$0.20</td>
<td>$0.80</td>
</tr>
</tbody>
</table>

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**Things you Need to Think About & Buyers Want to Know**

- What is the customer appeal?
- Why will consumers buy the product?
- Where does it fit into product category?
- Who are the competitors?
- Will it generate a sufficient profit?
- How will it be displayed?
- How is it to be advertised and promoted?
- What are the pack sizes?
- Is the continuity of supply secure?
- What after-sales service is available?

Source: SBCS Counsellors John Treverton and Frank Clutton with the assistance of Geoff Lee, Project Manager, Department of Innovation, Industry & Regional Development – Office of Small Business.

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**Packaging Counts – Specialty Food Expert**

- Have a beautiful product, including jar and label
- Use expensive beautiful glass
- Go to trade shows to show product as well as find out what the competition is doing
- Make your product presentation count-90% of the purchases of these niche products is based on product presentation.

**Packaging**

- First Line of Promotion is Product Packaging and is your silent salesperson
- Evaluate your target market and create a package that is consistent with their expectations- single jar or 3-packs, arthritis approved.
- Packaging should reflect a product’s desired personality (Tennessee Toe Jam)
- Packaging Considerations (size, plastic glass, dressy)
- Selling a 8 oz. Jar of Jelly for $6.95, it needs to be packaged accordingly
Hot Sauce Packaging Examples

- $0.99 (3 oz)
- $6.29 (5 oz)
- $6.95 (5 oz)
- $7.59 (4 oz)
- $0.99 (3 oz)
- $32 for .35 ml

Very Important to Remember

"It is easier to sell something people want than it is to sell something that is easy to produce"
UGA Resources

- This focuses on estimating market potential and includes market research resources.
- Business skills evaluation tool

Distance around a point Tool

www.freemaptools.com/radius-around-point.htm

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"Adding Value to Georgia's Agricultural Economy Through Research and Extension"