10 Key Ingredients to Developing a Successful New Retail Product
Agenda

• 10 Key Ingredients List
• Introductions
• Consumer and trade strategy, resources
• Product development, production, feedback, regulatory/ food safety
• Packaging design
• Go-to-Market, Marketing plan
• Q&A
10 Key Ingredients

1. Focus early on consumer strategy
2. Plan for the trade – channels and buyer
3. Network and find expert resources
4. Develop a winning product
5. Determine production and operations needs
6. Get marketplace feedback
7. Understand regulatory and food safety requirements
8. Create sales generating packaging
9. Develop a go-to-market strategy
10. Prepare a detailed marketing plan
Introductions

• Nancy Peterson
  - Founder, Emerging Brands Marketing
  - 30 years experience launching successful new products and businesses
  - Formerly at Gorton’s Seafoods

• Irene Costello
  - Co-founder Effie’s Homemade
  - After 20 years in the corporate world earned Masters of Liberal Arts in
    Gastronomy and a certificate in Culinary Arts from Boston University
  - Launched Effie’s in 2007 with Joan MacIsaac

• Andrea Fontaine
  - Laboratory Director Foods Research Laboratories
  - Provides microbiological, chemical, auditing, training and consulting
    services to the food industry
  - Involved with implementation of HACCP and Sanitation SOP for
    seafood industry; implemented and provided training for USDA facilities
    on Pathogen Reduction Act.
  - Frequent guest speaker

• Dale Casto
  - President and Co-Owner Wright Design
  - 35 years experience sales, product management, advertising and
    packaging design
  - Roles with – Carnation, Colombo, H.P.Hood, Welch’s
Consumer Strategy

Reason for being

- Competitive superiority
- Product benefit, consumer need
  - Unique or preemptive
  - Relevant
  - Believable
  - Provable/demonstrable
Consumer Strategy

Unique selling proposition

- Who You Are
- What You Do
- Unique Benefits
Identify Consumer Target

Who will buy your product

- Demographics
- Lifestyle/psychographics
Trade Considerations

Key Ingredient #2

Channel target

- Conventional supermarkets
- Mass merchandisers
- Specialty retailers
- Club
Trade Considerations

Primed for buyer

• What will it replace?
• Differentiation from current offerings
• What is the bottom line?
Network and Find Resources

- People who have made similar products
- Industry organizations (MSFA, NASFT)
- Investors
- Cross-functional team (larger companies)
Organizational Commitment

- Top management/board support
- Aligned with corporate objectives
- Get all departments on board
Develop a Winning Product

Irene Costello
Scale your recipe

• Start with a winning recipe
• Prepare for different levels of testing
  - Home/incubator
  - Test environment
  - Full production
• Explore equipment options
• Reformulate as necessary
• Anticipate trade-offs – volume output vs recipe authenticity
• Plan for sales samples
Develop a Winning Product

Scope out structural packaging

• Product protection and visibility
• Line performance and automation
• Shelf life extension
• Store shelf restrictions – plan-o-grams
• Real estate for messaging, branding and labeling
Develop a Winning Product

Source raw materials

- Ingredients and packaging materials
- Certifications (kosher, organic, free trade, gluten-free, etc.)
- Pre-measured and mixed ingredients
- Value-based (eco-friendly features, sustainable)
- Availability/seasonality
- Minimum orders and delivery/freight charges
- Price trends
Develop a Winning Product

Determine acceptable shelf life

• What’s the minimum for your category and placement?

• Are you willing to change your recipe to extend shelf life?

• How can packaging materials help extend shelf life?

• Get a certified test from a lab
Develop a Winning Product

Consider outside technical sources

- Food scientists
- Professional chefs
- Food labs
- Packaging companies
- Freelancers
Determine Production and Operations Needs

Evaluate production options

• In-house/Kitchen Build-out

• Incubator/Shared Use Kitchen

• Co-packer
### Evaluate production options

<table>
<thead>
<tr>
<th>Option</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
</table>
| In-house/kitchen build-out | • Control operations  
                          • Lower variable costs  
                          • Ease of product expansion | • You own all problems       
                          • Capital intensive       
                          • Continual upgrades      
                          • Responsible for regulatory changes |
| Incubator/shared use kitchen | • Less capital outlay  
                          • Pay per use  
                          • Easy start-up | • Scheduling  
                          • Flexibility  
                          • Capacity  
                          • Facility limitations |
| Co-packing                 | • Reduced fixed costs and capital outlays  
                          • Benefit from upgrades, certifications, audits, compliance, etc.  
                          • Focus on sales and product development | • Higher variable costs  
                          • Privacy and confidentiality  
                          • Less control  
                          • Risk/exposure doesn’t go away |
Tips for co-packing

• Protect your recipe - legal agreement should include
  - Confidentiality and non-disclosure
  - Non-compete
  - Non re-engineering

• Identify options
  - Issue a “Request For Proposal” (RFP)
  - Document procedures and quality guidelines
  - Itemize fees
  - Run tests
  - Agree beforehand who owns mistakes
Determine Production and Operations Needs

Tips for copacking

• Understand outsourcing
  - More than a vendor relationship
  - An extension of your business
  - Co-packer commitment – strategic direction
  - Capacity and automation abilities

• All about trust and respect
Fulfillment

- Direct/drop shipping
  - Pick and pack
  - Get a shipping partner
  - Consider minimum order

- Distributors – FOB, pick-up vs. delivered price, pallet quantities

- Storage/Warehousing

- All impact unit cost
Get Market Feedback

Who should be approached?
• Your target consumers beyond family/friends
• Store buyers
• Other qualified opinions - salespeople from distributors and brokers

What to test?
• Unique concept
• Scalable recipe
• Packaging prototype or mock-up
Get Market Feedback

When resources available for traditional market research

• Focus groups
• Concept tests
• Tasting labs
• In-home testing
Get Market Feedback

• **When on a shoestring budget**
  - Go where your target consumer goes
  - Public events as sampling opportunities
  - Holiday fairs - selling events good way to test price
  - Ask store or farmers market coordinator permission to do a test

• **Evaluate the feedback - Go/No Go decision**
Understand Food Safety & Regulatory Requirements

Regulatory Agencies
• Federal
• State

Certification Bodies
• Kosher
• Organic
• Fair Trade
Understand Food Safety & Regulatory Requirements

Food Safety
- HACCP
- Standard operating procedures
- Good manufacturing practices
- Pest control program
- Metal detectors
- Food recall plan
- Bio-terrorism

Food Labeling
- Package weight
- Servings and serving size
- Nutritionals
- Ingredients
- Allergens
- Placement
- Expiration
- Company name and location
Create Sales Generating Packaging

Dale Casto
Packaging Design - Preparation

- Information & Materials Gathering
- Proposal/estimate from 2/3 designers
- Strategy/USP
Packaging Design - Brand Identity

• Consider multiple options
• Relate to overall strategy
Packaging Design – Concept & Graphics

• Copywriting
• Design concepts
• Consumer research
• Design revisions
• Legal approvals - labeling/trademark
• Photography / Illustration
• UPC
• Printer Selection
• Final art files for printer
Packaging Design – Case/Tray

Case/tray Design
Packaging Design – Printing

• Printing Prep
  • Color separations/plates
  • Printer’s Proof
• Press run
• Design Process
  12 to 18 weeks
Packaging Design Tips

Dale Casto
Sell Two Critical Target Audiences

• The buyer
• The consumer
The shopper gives you 5 seconds, 5 feet from the shelf.
Consider the Selling Environment

The supermarket frozen food case
Behind the misty door - confusing
Consider the Selling Environment

The specialty foods store
Stand out from the crowd
Consider the Selling Environment

The club store
The tray is more important than the label
Consider the Selling Environment

The club store
Design the pallet
Shapes Attract the Eye

Shapes more effective then text
Shapes Attract the Eye
Avoid Pretty and Cute

Script is less legible – on any size label
Seek Simplicity

Less is more – in any communication
Seek Simplicity

Less is more – especially in the frozen case
Love Legibility

Dark on light; light on dark
Love Legibility

Before and After
Embrace the Tried and True

Appetite appeal always works
Embrace the Tried and True

Appetite appeal always works
You Need Professional Help

Your package is your most important communications medium.

See a professional and get the job done Wright.
Go-to-Market & Marketing Plan

Nancy Peterson
Develop a Go-to-Market Strategy

Costs, Pricing, Margins

- Include all direct costs
  - Ingredients (factoring in yield), labor, packaging, direct overhead, fulfillment (warehousing, freight)
- Factor in promotional expense
- Look at competitive products
- Consider price per unit/serving & attractive target price point
- Margin goals – 40% a good objective
### Go-to Market Strategy

#### Costing/Pricing Scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Direct, Target $4.99 Price Point</th>
<th>Distributor, Target $4.99 Price Point</th>
<th>Distributor Pricing Same</th>
<th>Distributor, Pricing, Higher Costs</th>
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<tbody>
<tr>
<td><strong>Pricing</strong></td>
<td>FOB Sales Price</td>
<td>$3.24</td>
<td>$2.59</td>
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<td>Price with 20% Distributor Margin</td>
<td>$3.24</td>
<td>$4.05</td>
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<td>Retail Selling Price (SRP)</td>
<td>$4.99</td>
<td>$4.99</td>
<td>$6.23</td>
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<tr>
<td><strong>Net Sales</strong></td>
<td>10% Promotional Discount</td>
<td>$0.32</td>
<td>$0.26</td>
<td>$0.32</td>
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<td></td>
<td>Cash Discounts</td>
<td>$0.03</td>
<td>$0.03</td>
<td>$0.03</td>
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<td></td>
<td>Spoils/returns</td>
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<tr>
<td></td>
<td>Net Sales</td>
<td>$2.86</td>
<td>$2.27</td>
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<tr>
<td><strong>Direct Costs</strong></td>
<td>Ingredients</td>
<td>$0.85</td>
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<td></td>
<td>Packaging</td>
<td>$0.20</td>
<td>$0.20</td>
<td>$0.20</td>
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<tr>
<td></td>
<td>Labor/Direct Overhead</td>
<td>$0.50</td>
<td>$0.50</td>
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<td>Freight</td>
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<td>Warehouse/Storage</td>
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<td></td>
<td>Total COGS</td>
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<tr>
<td><strong>Gross Margin</strong></td>
<td>GM</td>
<td>$1.15</td>
<td>$0.56</td>
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<tr>
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<td>GM%</td>
<td>$40.1%</td>
<td>24.7%</td>
<td>$40.1%</td>
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</table>
Go-to-Market Strategy

How/who will sell

• Company owner
• Inside sales
• Broker (commission)
• Contract sales management
Go-to-Market Strategy

Launch plan

- Geography
- Target customers/sales
- Sales materials
- Samples/cuttings
- Start ship
- Distribution build
Go-to-Market Strategy

4 Step Sales Process

- Buyer meetings
- Authorizations
- Orders
- On Shelf
Prepare a Detailed Marketing Plan

Retail - Trade

- Free cases/slotting
- Demos (store sampling)
- Price reductions/displays
- Trade shows
Marketing Plan

Consumer trial/awareness

• Public relations
• Web site
• Social media
• Sampling
• Traditional mass media promotion
Marketing Plan

Measure Results
(Key Performance Indicators)

- Sales calls
- Authorizations
- On shelf distribution
- Correct placement
- Correct retail price
- Market performance
  - Dollars
  - Units
  - Turns
  - Share
Marketing Plan

Post Launch Assessment

• Review entire process
• What worked/what didn’t
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Q & A
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Carol Coutrier: President
www.msfa.net
800-813-5862
ccoutrier@aol.com
References

- General Food Labeling Guide
- Nutrition Labeling
  http://www.fda.gov/food/labelingnutrition/labelclaims/ucm111447.htm
- Food Allergen Labeling Consumer Protection Act (FALCPA)
  http://www.fda.gov/food/labelingnutrition/FoodAllergensLabeling/GuidanceComplianceRegulatoryInformation/ucm106187.htm
- Net Weight Requirements - Maximum Allowable Variance (MAV) -
  http://ts.nist.gov/weightsandmeasures/h1334-05.cfm
- US Department of Agriculture (USDA) Country of Origin Labeling (COOL)
  http://www.ams.usda.gov/AM Sv1.0/cool
- Good Manufacturing Practices (GMP’s)
  http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfcfr/CFRSearch.cfm?CFRPart=110&showFR=1
- Seafood Hazard Analysis and Critical Control Points
  http://www.fda.gov/food/foodsafety/hazardanalysiscriticalcontrolpointshaccp/seafoodhaccp/default.htm
- Bioterrorism Act of 2002
  http://www.fda.gov/ Food/ FoodDefense/ Bioterrorism/ucm083064.htm#slide
Resources

• Co-packer listing on Mass Ag site
  http://www.mass.gov/agr/markets/specfood/copackers.htm

• New England Food Entrepreneur
  http://extension.unh.edu/nefe/regulatory_requirements/index.html

Shared Use Kitchens

• **Dartmouth Grange Shared-Use Kitchen**
  1133 Fisher Road
  Dartmouth, MA 02748
  508-636-1900
  email: info@dartmouthgrange.com

• **Crop Circle Kitchen (formerly Nuestra Culinary Ventures)**
  31 Germania Street
  Buildings I & J
  Jamaica Plain, MA 02130
  617-522-7900
  web: http://www.cropcirclekitchen.org/

• **Western Mass Food Processing Center**
  Contact: John Waite
  324 Wells Street
  Greenfield, MA 01303
  413-774-7204
  email: johnw@fccdc.org
The Massachusetts Specialty Foods Association (MSFA) is a statewide non-profit organization that serves as a resource to and advocate for the Massachusetts specialty foods industry, supporting its commitment to excellence and entrepreneurial spirit.

MSFA Member Benefits:

- Education
- Networking and peer support
- Sales & marketing opportunities
- Discount on booth space at New England Food Show
- Publicity
- Bi-monthly newsletter

For more information contact Carol Coutrier, ccoutrier@aol.com, 800-813-5862, www.msfa.net
Regulatory Requirements for Food Businesses

• Retail businesses are licensed and inspected by the local / municipal Health Department.
  - Licensing requirements will vary for each Health Department
  - Basic policy guidelines may be established at State or Federal level
  - U.S. Public Health Service FDA Food Code serves as basis for regulations
  - Employee / supervisor training / certification is required

• Wholesale businesses are licensed by the MA Department of Public Health Food Protection Program (www.state.ma.us/dph/fpp). All wholesale food businesses must have a license to operate.

• Wholesale businesses are inspected by the state and / or local health department depending upon the type of food being manufactured.

• Wholesale business may also be inspected by a federal inspection agency
  - USDA (www.usda.gov) inspects all facilities manufacturing meat, poultry and eggs
  - FDA (www.fda.gov) regulates all other wholesale facilities
  - A business may be subject to inspection by both federal agencies

• Mandatory programs are required by the applicable regulatory agency
  - Programs are designed, implemented and maintained by the business in compliance with the current regulation of the regulatory agency
  - Same programs (i.e. HACCP) have different regulatory requirements for each agency and for wholesale versus retail
    USDA HACCP Regulation : 9 CFR Part 417
    FDA Seafood HACCP Regulation: 21 CFR Part 123
    FDA Juice HACCP Regulation: 21 CFR Part 120
    Retail HACCP: U.S. Public Health Service FDA Food Code
Regulatory Requirements for Food Businesses

• Mandatory product / environmental sampling may be required depending on the food being manufactured
  - pH testing for acidified foods
  - E. coli O157:H7 testing of non-intact beef products
  - Listeria species testing of food contact surfaces in ready-to-eat USDA establishments

• Knowledge and compliance with applicable regulations is the responsibility of the food business
  - Current Good Manufacturing Practices
    Massachusetts: 105 CMR 500.000
    Federal (FDA): 21 CFR Part 110
  - Labeling
    Massachusetts: 105 CMR 520.000
    Federal (FDA): 21 CFR 101
Brand Appendix

Green Giant® is a registered trademark of General Mills Inc, Minneapolis, MN
W Welch’s® is a registered trademark of Welch’s, Concord, MA
Divina® is a registered trademark of FoodMatch, Inc., New York, NY
Cascadian Farm® is a registered trademark of Small Planet Foods, Inc., Sedro Wooley, WA
Golden Blossom® is a registered trademark of John Paton, Inc., Doylestown, PA
Stouffer’s® is a registered trademark of Nestlé USA Inc., Solon, OH
Legal Sea Foods® is a registered trademark of Legal Sea Foods LLC, Boston, MA
Himalayan Salt™ is a trademark of Himalayan Salt Company, Shrewsbury, MA
Sea Cuisine™ is a trademark of High Liner Foods, Inc., Danvers, MA
Sable & Rosenfeld is a brand of Sable & Rosenfeld, Toronto, Ontario, Canada
DUNKIN’ DONUTS® is a registered trademark of DD IP Holder LLC.
Olde Cape Cod™ is a trademark of Olde Cape Cod Food, A Division of Cains Foods L.P., Ayer, MA