

# Massachusetts Department of Agricultural Resources



## The Massachusetts Food Processors Resource Manual

A practical guide for specialty food and start-up food processors published by the Massachusetts Department of Agricultural Resources.

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## CHAPTER ONE: Introduction

Massachusetts is a state rich in cultural history. It boasts a sizable number of universities and colleges, museums, and historic sites. Its classic New England cities, towns, and farmlands have been the setting of countless stories and books through the last three hundred years, and home to thousands of writers, artists, and educators.

What may be less well known is that the Bay State also has a rich culinary history. To understand its importance, one needs to recognize the abundance and variety of Massachusetts bounty. From its seacoast towns to its inland farms, Massachusetts produces an unusual variety of farmfresh fruits, vegetables, and specialty foods. In the western part of the state, the Pioneer Valley is known for its lowlying fertile fields along the Connecticut River. Here, crops of Hadley asparagus, corn, tomatoes, blueberries, potatoes, and pumpkins abound. In Plymouth, and on Cape Cod and Nantucket, cranberry bogs abound. On the island of Martha's Vineyard, wild and cultivated berries and grapes provide the ingredients for wines and beach plum jelly. The waters off Cape Ann provide bluefish, cod, and lobster. In the central region of Worcester County, apple orchards dating back 100 years produce a variety of apples, from Cortland to the perennial favorite McIntosh.

Farms and farmstands are as much a part of the Massachusetts landscape as are the white clapboard houses so often associated with the picturesque towns that make up Massachusetts.

The state is home to more than 300 specialty food producers, who produce everything from maple syrup, jams, jellies, breads, candies, cheeses, ice cream, coffee, tea, cranberries, and wines to salsas, granolas, salmon, and shiitake mushrooms.

These modern-day producers are by no means the first food producers in the state. Myles Standish, upon discovering Indian corn, quickly had the Pilgrim fathers plant crops. Johnny Appleseed hails from Massachusetts some claim he is from Leominster, while others say Springfield was his home. The Shakers, who settled in Hancock, Massachusetts, produced a catalog in 1864 that included 354 varieties of herbs. Sylvester Graham, inventor of the Graham cracker, and preacher of healthy living through diet, hailed from Massachusetts. Other culinary notables include Fannie Farmer, who revolutionized cooking with her 1896 cookbook, and present-day legend Julia Child of Cambridge. And let us not forget Ralph Waldo Emerson, who defended apple pie as suitable breakfast food.

Massachusetts specialty foods are made from the freshest ingredients grown at farms throughout the state. Dairy farms provide the ingredients for an assortment of cheeses from Gouda to goat cheese. Bogs on Cape Cod provide a bountiful fall harvest of cranberries to enliven baked goods, sauces, and relishes. Apple orchards produce the varieties needed for ciders, pies, sauces, and gift baskets. Massachusetts cucumbers, peppers, tomatoes, herbs, corn, and vegetables are the ingredients for relishes and chutneys. Maple producers throughout the state tap the state's sugar maple trees for sap and produce mouthwatering maple syrup, maple cream, and maple candies. Fish hatcheries, game farms, and the state's coastal waters provide a variety of delicacies.

Massachusetts products are made from the bounty of its fertile farmlands with the same love and pride that is its founding tradition.

This guide has been developed to help you get started in the specialty food industry and become part of our rich and continuing culinary history. It is designed to answer some of your questions, and to refer you to other sources of help.

How do you start? What is a business plan? What state and federal regulations do you have to know about? Where do you buy packaging? How do you design your logo . . . and your labels? How do you find a knowledgeable person who can help? Read on . . .

This manual is meant to serve as a general reference for specialty food producers. Presented here are ideas and information that will be useful for those who are thinking of starting a specialty food business as well as for those who want to grow their existing business.

Whether you're a new or experienced business owner, you'll have to be aware of the bottom line. We've pointed out ways in which you can achieve your goals while minimizing your risk. We have noted occasions in the development of your business when you might want to seek the advice of professionals such as lawyers, accountants, or advertising agencies. We've addressed

ways in which these professionals can help you; but we want to assure you that it's not always necessary to hire them.

There is no right way or wrong way to go about operating your business. You'll be relying a lot on common sense and intuition; but we hope you'll mix that with a bit of the practical information we've put together for you.

It's not always necessary to spend money to get good results. Most small business owners build their businesses through sweat equity, and you probably will, too. We've provided information to help you make informed decisions based on your particular situation.

The subjects in this manual are presented in the order in which you're likely to encounter them as you begin to think about starting your business. We suggest you read the entire manual through first, then concentrate on chapters of particular interest to you. There's information in each chapter that is relevant to businesses in all stages of development. In the back of the manual is a section containing resource information beyond that which is outlined in specific chapters.

A note about listed resources and contacts:

Both public and private sector resources are listed. A listing in this manual is not an endorsement; nor are listings comprehensive. Word of mouth and the Yellow Pages offer many additional contacts. It is impractical to provide a comprehensive list of resources; however, the partial listing in this publication is furnished for your information with the understanding that no discrimination is intended and no guarantee of reliability is implied.

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## **CHAPTER TWO: Starting Out**

Starting or expanding your specialty food business will take some planning. Six months to a year is not an unreasonable amount of time to expect to spend in preparation for opening up your business. The first step is marketing and product development.

### **Marketing**

Marketing is directing your goods and services to consumers in response to their wants and needs. Marketing begins with the consumer. It involves acquiring a thorough understanding of what consumers need and want, and making products that meet those needs. Remember, the purpose of your business is to sell products, not to make products that might sell.

Some products fill a niche or hole in the general market, while others will have wider appeal. Some will be new or improved, thus making them an alternative to similar products already available. Anyone with a new product idea must know his target market the people who will buy his product and know what their needs are. Armed with an understanding of the niche or hole in

the market that your product will fill, you can better understand how to introduce and sell your product to that target market.

When you start a business you must develop a keen understanding of your market your audience of consumers. You need to know everything about those buyers: their age, sex, income, buying habits as they relate to a particular product or segment of the market, where they live, how much they spend on related products, even what they read. This and other information about them is called demographic information.

Gathering demographic information is part science and part intuition, part detective work and part research. A healthy combination of all those techniques will be needed. Here s how it s done.

### **Step 1: Product Development**

When you first determined that you had a marketable product or service, you had in mind a certain audience of consumers who would be interested in buying your goods. You want to be sure that you can sell the product, as well as manufacture the product safely.

Many specialty food products come about because friends, family, and others who have tasted a homemade recipe have pronounced it suitable for sale. They ve assured you they d buy your mustard, jam, or barbecue sauce, and that their friends would, too. They encouraged you to consider selling the product by suggesting to you that there was a market an audience for the product.

Think back to the time when friends began to suggest that you had a saleable product, and you began to wonder if they were right. You may have thought, Okay, everybody who tries it likes it, but would they pay for it? Just gather them together and ask them assemble your own focus group. Ask who might buy the product and why, what they would pay for it, what would they do with it. Then consider what you know about them: are they gourmet cooks, or harried moms looking for something to make life easier? Do lots of different kinds of people like it, or does it require a more sophisticated palate? Where do these people shop? Is it something they d give as a gift? Is it an alternative to a massmarket product they already use? Keep going until you ve looked at the product from every possible point of view.

Next, do your homework. Visit the library and use their computer to find recent newspaper and magazine articles about food trends, and about your kind of product in particular. If your library has a reference librarian, ask for his or her help. College and university libraries are good places to do research. While they may not let you check out books, most will allow you to read and copy materials in the building. Study everything you can find about consumers who buy specialty foods like yours.

Talk to gourmet food store buyers, gift basket buyers, grocers, or others who might be potential buyers. Go into retail stores and talk to customers find out what they buy, what they re looking for, why they shop where they do. Your research will help you discover if there is an existing

market or an emerging market for your product. And it will tell you a lot about your potential customer.

These are the basic steps of discovering your potential universe of buyers. Armed with this knowledge, you'll be better able to judge if you actually have a shot at success.

If the answer is yes, go on to the next step.

## **Step 2: Can You Make Money?**

You must calculate the costs associated with making your product before you can set the price, and you must set the price before you can answer the ultimate question: will consumers pay the price?

First you'll need to calculate all of your costs, both fixed and variable. Fixed costs are costs that don't change whether you produce one jar of jam, or 10,000. These include rent, basic utilities, insurance, salaries, taxes, etc. Variable costs are those that vary with production: production and packing materials, electricity, labor, shipping, sales commissions, etc.

At a certain production level, the sum of fixed and variable costs is your total cost. To find your cost per unit, divide the total cost by the number of units. To the cost per unit, add the profit you want, giving you your selling price. (That's a simple explanation of a complex process you may need an accountant's help in making all of these calculations and estimates.) Remember that a common mistake is to underprice your product.

## **Step 3: Will Customers Pay Your Price?**

That's the hard question. The price you set probably won't be the final price. Everyone who handles your product until it reaches the retail shelf will mark it up so that they realize their profit, too. Because of the ways in which they are produced and marketed, specialty foods are generally priced somewhat higher than massproduced and massmarketed products. Consumers are generally willing to pay a slight premium for specialty and gourmet products; however, you must determine what the market will bear.

This is where you use your knowledge of your potential customer. Having a clear picture of your buyers' income and spending habits will tell you how price sensitive they are. And if you know where they shop, you can find out if your product is priced right for those retail outlets. How? Visit the stores to check prices and availability of similar products. You can adjust your margin if you have to, but keep in mind the total cost of producing your product.

## **Step 4: What's Your BreakEven Point?**

Knowing your customers will enable you to judge how much they'll pay for a product like yours. Now you need to determine how many units you'll have to sell at that price in order to make a profit: you have to find out your breakeven point.

The breakeven point is the point at which you have sold enough product to cover all of your costs. From here on out, all of the income you make from selling product is profit. For example, your company produces 3,000 jars of jam a year, and your total costs for the year are \$12,000. If your jam sells for \$6 a jar, you need to sell 2,000 of the jars to generate \$12,000 of income and cover your costs. Your breakeven point is that two thousandth jar sold. The income from the last 1,000 jars is all profit. If you sell them all, you make \$2,000 profit for the year.

### **Step 5: Where Can You Sell That Much Product?**

One of the last pieces to the marketing puzzle is determining where to place your product so that your potential customers will find it and buy it. This is called distribution, and it is covered in more detail in another chapter, but here are some of the issues involved.

Are your buyers likely to look for products like yours in grocery stores, delis, gift shops, specialty food stores, supermarkets, farmstands, or other kinds of establishments? Can you sell directly to the retailer or grocery buyer, and are they receptive to your proposed product? Are the locations and types of outlets you've identified selling similar products and at competitive prices?

If your research indicates that you will be able to place your product into outlets where it will sell successfully at your proposed price, you're ready to continue to unravel the interlocking puzzle of markets, consumers, products, and outlets.

### **Step 6: The Marketing Plan**

The next step is to develop a marketing plan that targets wholesale buyers, retail buyers, and consumers.

Marketing is an ongoing function of business you should never stop gathering information about your consumers and buyers. Staying abreast of new market trends enables you to react quickly to changes in consumer demands.

These days, consumers are healthconscious. They read labels with great interest, paying attention to nutritional information. Producers who understand and adapt to market demands for healthy products will stay profitable, while others will lose their share of the market. Take a trip down the food aisles and you'll see labels that announce products that are organic, saltfree, lowfat, etc. The makers of these products are all responding to market demand. Market demand is consumer driven: consumers demand and producers and retailers respond. From your initial notion that you might have a saleable product until the time you retire from business, you must constantly be attuned to the market.

The goal of your marketing plan will be to realize maximum profits by finding the right combination of the elements of the Four Ps : product, price, placement, and promotion. We'll deal with these issues in later chapters.

#### Publications of Interest: Food Entrepreneur

Karen Cantor, Publisher  
Post Office Box 10152  
Greensboro, NC 274040152  
910-855-6665

#### From Kitchen to Market

Selling your Gourmet Food Speciality  
by Stephen F. Hall \$24.95  
Upstart Publishing Company, Chicago  
800-235-8866

Available at Barnes & Noble, Waldenbooks or at your local library.

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## CHAPTER THREE: Production

When you start your food specialty business in Massachusetts, you need to be sure you comply with Federal and State regulations regarding the preparation of food products. Food safety is important, no matter what the size of your business.

There are definitions for foods that are either hazardous or potentially hazardous foods, the determination based on the pH or water activity. Acidic foods, with a pH of 4.6 or below, or water activity greater than .85, are considered to be nonhazardous foods. Generally, nonhazardous foods include most types of baked goods, including breads, fruit pies, cakes, cookies, candies, jams, jellies, fruit compotes, and other foods with high sugar content. These foods can be prepared in an inspected residential or commercial kitchen. If the product requires refrigeration, and is sold refrigerated, it requires less processing and is potentially less hazardous than canned goods. Review the information reprinted from the Department of Public Health at the end of this section.

There are many labs that will do pH testing at a minimal cost. If the pH of your product shows that it is a nonhazardous food, water activity testing may not be needed. Your lab can give you advice. Testing for pH should be done every time the formula or process is changed and it is very important!

Contacts that can help you with food safety and quality control are found in the Yellow Pages under Laboratories: Research & Development, Testing. Some contacts are listed at the end of this section.

### Setting Up Your Kitchen

Depending upon your product, the health department may not allow you to produce items from your residential or farm kitchen. If you can't afford the expense of setting up a commercial

kitchen, you may be able to use a commercial kitchen at a local church or community center that is licensed.

If you do decide to set up your own kitchen, look for equipment at one of the many new and used equipment companies in the state. High quality used ovens, mixers, and other kitchen equipment can usually be bought used for substantially less than the price of new equipment.

## **Food Preparation**

Bacteria are found naturally all around us, and some bacteria can cause foodborne illness. Safe handling and processing of food can prevent bacteria from multiplying and causing illness. The most common carriers of foodborne illnesses are foods of animal origin: dairy products, eggs, meat, poultry, and seafood. These foods, along with soybean, rice, and custard products, are considered potentially hazardous. But most foodborne illnesses can be prevented by careful food handling practices, including proper cooking and storage of food and appropriate personal hygiene practices of food handlers. Working with raw meat, poultry, and fish requires a commercial kitchen and a USDA inspection.

## **Producing Food Products Safely: The HACCP System**

There is a simple and effective system that will ensure food safety for all foods you produce even for those designated as potentially hazardous, it's called Hazard Analysis and Critical Control Points system. Developed by Pillsbury in the 1960s as a way of producing safe foods for the space program, the system identifies potential problems in advance and sets up methods to correct the problems. The system works and the FDA as well as, the Departments of Agriculture and Commerce all encourage its use in retail food stores, restaurants, and food processing plants. By treating the production of food as a total continuous system, it assures food safety from harvest to consumption. HACCP consultants can help you set up such a system, or you can check with your Department of Public Health for help and information. For a retail operation a HACCP plan is required if the regulatory authority allows a specialized process with high risk procedures to be conducted after granting a variance to the food establishment operator. A HACCP plan is not mandatory for fish and fishery products. A HACCP plan can be useful because it protects your business and your customers and can be used as a selling point.

## **How HACCP Works**

### **Step 1: Identify potential hazards**

There are three kinds of hazards to beware of in food preparation. These substances and organisms must not be allowed to contaminate the food you produce.

Biological hazards: bacteria, viruses, and other microorganisms cause 93% of the incidences of foodborne illness.

Chemical hazards: toxins, heavy metals, improperly used pesticides, cleaning compounds, and food additives account for 4% of the incidences of foodborne illness.



Physical hazards: foreign objects like glass, metal, plastic, and wood that may cause illness or injury if they find their way into food products.

### **Step 2: Identify critical control points (CCPs)**

A critical control point is a step or procedure in food preparation during which a safety hazard can be prevented or eliminated. Examples are cooking, chilling, specific sanitation procedures, prevention of crosscontamination, and employee and environmental hygiene.

### **Step 3: Establish control procedures**

At each critical control point, critical limits are set. These critical limits are the criteria that must be met for safety to be assured. Examples are assuring correct processing time, temperature, and pH level.

### **Step 4: Establish monitoring procedures**

Monitoring procedures are planned sequences of observations or measurements that will determine whether the processing is proceeding correctly. Keeping records of monitoring procedures will provide accurate guidelines for the future. Examples include visual observations, checks of processing temperature and time, and checks of pH and moisture levels.

### **Step 5: Establish corrective action**

Mistakes will be made. When that happens, you must have a plan for correcting the situation. Examples are discarding the food, fixing the cause of the problem, and maintaining records of what you did to correct the problem.

### **Step 6: Establish effective recordkeeping procedures**

At least once a year, you should conduct an audit of the entire HACCP system to be sure it is working properly. Additional audits should be done when you add a new product, new machinery, or new processes.

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## **CHAPTER FOUR: Residential Kitchens: Questions and Answers**

*Reprinted with permission from the Fall 1993 Food and Drug Reporter (updated in 2007 with current 105 CMR 590.00 regulations):*

There are an increasing number of private citizens interested in preparing food products in their home kitchens for sale in food establishments. Under the provisions of Section 590.028, Residential Kitchen Operations for Retail Sale, of Massachusetts regulation 105 CMR 590.000 Minimum Sanitation Standards for Food Establishments Article X, there is a mechanism for

permitting this activity with certain limitations. Below are answers to some of the most commonly asked questions on residential kitchen operations.

**What kinds of foods can be prepared in residential kitchens for retail sale?**

Residential kitchens which are licensed and inspected by local boards of health are strictly limited to the preparation of nonpotentially hazardous foods (nonPHFs). Products may include baked goods, confectioneries, jams, and jellies. The regulations are specific in prohibiting the preparation and sale of potentially hazardous food (PHF). NonPHFs such as cakes and cookies, which have PHF ingredients are acceptable. However, nonPHFs that are manufactured under processes which require state and/or federal control such as acidification, thermal processing in hermetically sealed containers, hot fill, and vacuum packaging are not acceptable in a residential kitchen, with the exception of jams and jellies that are thermally processed in hermetically sealed containers.

**What types of processing operations are prohibited in a residential kitchen?**

Since certain highrisk procedures require strict quality control programs with monitoring controls and record keeping, and state and/or federal approval, residential kitchen operations are prohibited from conducting these manufacturing procedures. These procedures include, but are not limited to: acidification, hot fill, thermal processing in hermetically sealed containers, vacuum packaging, and curing/smoking. Examples of products often using these procedures include tomato sauces, barbecue sauces, pickled eggs, relishes, salad dressings, various pickled products, garlic in oil, vegetable salads, soups, and cream pastries.

**To evaluate the nonpotentially hazardous status of a food, what type of laboratory analysis can a board of health request?**

Before an inspection is conducted, it is necessary for the board of health to ensure that the food to be prepared and sold by the residential kitchen meets the criteria of being a nonPHF. Laboratory analysis of products that are generally regarded as nonPHFs such as cookies, cakes, and candies is usually not necessary.

For any product in question, the board of health may require the person preparing food in a residential kitchen for retail sale to provide laboratory documentation that the food has a final pH of 4.6 or below or a water activity of 0.85 or below. Evidence may be obtained by analysis of the food in a laboratory. When reporting results, the laboratory should reference the standardized testing procedure used. For products such as salad dressing and salsa, where the pH of each ingredient may vary, it may be necessary to determine the pH of each ingredient as well as the finished equilibrium pH to identify the natural pH of the product.

Boards of health should require residential kitchen operators to keep records of analysis of such products on file for review. Persons preparing such food must maintain a standardized formulation for the food, listing the ingredients in order of predominance by percentage of weight for each product. Variations in the formulation would constitute a formula deviation, thus requiring new analysis.

### **What marketing and volume restrictions are there on residential kitchens?**

Residential kitchens are allowed to sell directly to consumers or directly to retail food stores and food service establishments within the Commonwealth of Massachusetts. The U.S. Food and Drug Administration (FDA) does not acknowledge a private kitchen in someone's home as an approved source of foods for interstate commerce. Mail order sales from residential kitchens are also prohibited for this reason. In turn, Massachusetts does not consider foods prepared in outofstate residential kitchens as an approved food source. To limit production of foods to safe and manageable volumes, the regulation prohibits the use of brokers, wholesalers, and warehouses by residential kitchen operators to store, sell, and distribute foods prepared in residential kitchens. Another restriction on production volume is the requirement that only household members may be employed in the operation.

Copies of Massachusetts regulation 105 CMR 590.000 Minimum Sanitation Standard for Food Establishments Article X are available from the State House Bookstore; 617-727-2834.

Correspondence should be addressed to: Retail Unit; Food Protection Program; Massachusetts Department of Public Health; 305 South Street; Jamaica Plain, MA 02130; 617-522-983-6712. (End of Reprint)

### **Recipe Development**

You'll want to determine how to expand your recipe for quantity production so that it tastes the same when you make 200 gallons as it does when you make two quarts. It's more complicated than doubling a recipe. There are many resources for recipe development and other areas in product development; for example, shelf-life studies. You'll want to know how long your product retains optimal flavor and color so that you can recommend a shelf-life to your customers. In the Yellow Pages, assistance can be found under the sections of Food and Beverage Consultants and Laboratories, Research & Development. In addition, a few resources are listed at the end of this section.

### **CoPackers**

A co-packer can process your specialty food products. Contracting with a co-packer rather than manufacturing a product yourself can defray the cost of setting up and overseeing the production process. If you're short on capital, and if producing your product requires special equipment like bottling machinery, safety sealing or packaging equipment, or industrial kitchen equipment, then you may want to consider such an arrangement.

Because a co-packer usually specializes in a certain type of production, such as the production of spices or condiments, he is able to provide an efficient means of production in a controlled environment. Co-packers usually are able to take a recipe and convert it for large scale production (and you need not worry about surrendering your carefully guarded family recipe to him, because he will sign an agreement not to disclose or copy the recipe.) Many offer shelf-life and other product development support.

Using a co-packer can also give you the ability to test a product before launching into a full scale production operation. He will offer you a number of services, including recipe conversion,

ingredient procurement, quality control, regulatory compliance, volume discounts, and production control.

According to the Massachusetts General Laws, a license is required for food processors as well as those using a co-packer. If you are using a co-packer, you are considered to be a distributor and will therefore need a wholesale food distributor s license.

A license application form can be obtained from the Department of Public Health, Food Protection Progrma/Division of Food and Drugs, 305 South Street, Jamaica Plain, MA 02130, 617-983-6712. No person shall carry on the business of food processor or food distributor unless they hold a valid license from the department.

There is also a labeling requirement on products that have been copacked. Where the food is not manufactured by the person whose name appears on the label, the name shall be qualified by a phrase that reveals the connection the person has with the product: such as "Manufactured for"..., "Distributed by"... , or any other wording that expresses the facts.

To find a co-packer, refer to the resource list at the end of this section.

### **Private Labeling**

Some producers allow their customers to put their own labels on the boxes or jars of product they buy from them. This is known as private labeling, and it works well for many producers.

As specialty foods grow in popularity, so do the number of opportunities to sell product. Country inns, restaurants, gift shops, tourist locations, clubs, and even food departments at retail stores are all selling specialty food products. Many of these operations want to sell products that carry their own company name; however, they don t want to get into the business of becoming a producer. So they find companies whose products they like and they contract to purchase their products. But they also contract for the right to have the product carry their house name, and the right to sell it at whatever retail price they choose.

You may consider offering private label services, either at your residential or commercial kitchen, or through your co-packer.

### **Insurance**

Although it will be a major expense, product liability insurance is a must. Frequently, distributors will want your current certificate of insurance before doing business with you, and some may want you to name them as an additional insured on the policy.

In addition, you will have to pay workmen s compensation insurance for your employees, and you may want to consider offering your employees medical insurance benefits.

Your insurance agent will help you make all of the necessary decisions about what kinds of insurance will work best for your business.

## **Resources**

After you've settled on your product, you'll need to formulate a business plan and to consider financing, licensing, incorporation, and a host of other issues. It may sound overwhelming, but don't despair: help is available.

## **Writing the Business Plan**

We've included one scheme for organizing and presenting your business plan. (See *Developing a Business Plan*.) The Massachusetts Office of Business Development has a booklet that can help, too. Call 617-727-3206 and ask for their publication *Business Plan Outline*, which includes sample reports and charts.

## **What Type of Business?**

One of the first things you might want to do is to consult an attorney about the legal requirements of setting up and operating a business in Massachusetts. He or she can help you determine how you want to organize your business. You may choose to form a corporation, a general or limited partnership, a business trust, or a sole proprietorship. Each type of business has different advantages, disadvantages, and tax consequences. Depending on which type of business you form, you'll have various local, state, and federal filing requirements to fulfill.

The Massachusetts Office of Business Development has a publication that can help you to understand the various types of businesses. Call 617-788-3637 and ask for the *Small Business Assistance Packet*.

## **Choosing a Name**

For specialty food companies, the choice of business and product names is very important. You should begin by finding out the names of similar businesses and products. First check business names at the Corporations Division of the Secretary of State, in Boston. Then check with your local town or city hall, in libraries, trade journals, and telephone books.

Select a name that conveys what you and your product are about, and be sure that the name you select won't be confused with an already existing business or product.

## **Protecting Your Trademarks**

Trademarks are words, symbols, and phrases that identify a product or service. It is important to protect your trademarks, because they are the identity of your product.

Once you've decided on a name, be sure to protect it by registering it with the U.S. Office of Patents and Trademarks.

You earn rights to your trademark either by actually using the mark or by filing an application with the Patent and Trademark Office in Washington, D.C. The application notifies the

Department of Commerce of your intent to use the mark. You don't have to register your mark in order to use it, and you can establish rights to your mark without registering it, but federal registration is highly recommended. If two companies begin to use similar trademarks, each without knowing of the existence of the other, and neither has registered his mark, then only a court can decide who has rights to the mark. The battle can be long and very expensive, and the loser may have to pay damages for trademark infringement in addition to lawyer and court costs. So it is worth saying again: register your trademarks.

The next step is to develop a marketing plan that targets wholesale buyers, retail buyers, and consumers.

### **How to Register a Trademark**

We've outlined the trademark registration process here. The trademark office has a booklet, titled Basic Facts about Registering a Trademark, which details the application process and includes sample forms. It is available by calling 703-308-9000.

The first step is to conduct a search for existing trademarks that could conflict with the design you intend to register.

It is possible to do the search yourself. There are two locations in Massachusetts that have CD-ROM databases of registered and pending trademarks. One is at the University of Massachusetts Physical Sciences Library in Amherst. Hours vary throughout the year. Call the library at 413-545-1370 for more information. The other database is at the Boston Public Library; 617-536-5400, ext. 265 for information and hours.

Although it will cost you \$500 to \$750, it is a very good idea to hire an attorney to do the trademark search for you. Finding marks that might conflict with yours is not always as straightforward as it might seem. The best protection is to hire a professional who can guide you through the search and registration process.

But if you decide to do it on your own, the Patent Office will help. Contact their newly opened Trademark Assistance Center in Arlington, Virginia. They can help you with the registration process and answer your questions. Call - between 8:30 and 5:00 weekdays, Eastern time.

To apply for a trademark, you'll need to send in an application, a drawing of the intended trademark, and the filing fee. The application fee is \$245 for each class of goods or services listed. (For more information about fees, or about the registration process in general, call 703-308-HELP and ask for the booklet Basic Facts About Registering Trademarks.)

The term of registration of a federal trademark is 10 years, with 10-year renewal terms. However, after the fifth year of the first term, you must file an affidavit confirming use to keep the registration active. If you fail to file the affidavit, the registration is canceled.

You can claim rights to your trademark and use the ® logo on your name or design without registering your mark; but only after you have been officially registered with the Patent and Trademark Office may you use the ® logo.

To get information concerning trademarks in Massachusetts, call the Massachusetts Trademark Office at 617-727-8329.

### **Accounting Advice**

You may want to consult with an accountant to help you get your business records set up. He or she can help you choose your annual accounting period (calendar or fiscal), your accounting method (cash or accrual), and your inventory method (FIFO, LIFO, or average). He or she will also help you with strategic planning, cash management, compensation strategies, cost reduction, and management information systems.

Some business owners start out by doing all this themselves with a computerized accounting program, getting outside advice as they need it. Quick Books is one such program that is inexpensive, easy to use, and comes in both IBM and Macintosh format. If you are in the market for an accounting program, check computer magazine reviews to find one that seems to meet your needs.

### **Income Tax Laws and Filings**

Unless you are a sole proprietor without employees, you will need to file IRS form SS4 and Massachusetts form TA1 to get an employer ID number. (And if you will be selling items other than food, you will need to file form ST1 to get a sales tax registration certificate from the state Department of Revenue.)

Companies employing one or more persons for 13 weeks or more, or having a payroll of \$1,500 per quarter, must pay federal and state unemployment insurance tax each year. Contact the Massachusetts Department of Employment and Training and the IRS for information and forms.

In addition, you must have workers compensation insurance before any of your employees can start work. You can purchase this from any casualty insurance company. Contact the Massachusetts Department of Labor for the details.

As an employer, you will be withholding from your employees paychecks federal and state income tax, social security tax, and workers compensation tax. Periodically, you will deposit the amounts withheld with the state and the IRS.

### **Financing**

Every business needs financing in order to operate and to grow. But the amount you will need and the time period during which you will need the funds will vary. Arranging financing takes time, so plan ahead.

To get financing, you'll need to be able to provide information about yourself, your market, and your operation. If you have an accountant, he or she can help you develop a list of startup costs, a beginning balance sheet, and a projected cashflow statement. The Massachusetts Small Business Development Centers can be helpful in this area, too.

You'll need to show how much profit you expect to make in the first year or two. (If you are buying an existing business, expect to be asked to provide income statements for the past several years, information about why the business is being sold, and your plans for making it profitable.)

## **Sources of Capital**

In general, money to start or grow a company can come from family, friends, and personal savings, or it can come from outside sources. The chances are good that at some point in your company's life, you'll need some financing. Think creatively: banks are not the only source of money. Sometimes, customers, employees, distributors, and even your competitors can provide needed funds.

Other, more traditional sources of funds for a startup are personal loans, local community development agencies, finance companies, credit unions, second mortgages on your home, and loans against life insurance policies.

Additional funds for an existing business can be raised through debt and equity financing, loans against inventory, private or exempt public offerings, registered public offerings, and saleleasebacks for equipment acquisitions. (Some of these alternatives require both legal and accounting consultation.)

State and federal assistance are also available for small businesses. The Massachusetts Office of Business Development can give you information on both public and private financing, serve as an intermediary between you and prospective financiers, evaluate proposals for financing, and help you structure and negotiate financing. Call them at 617-727-3206.

The Pioneer Valley Planning Commission also has a booklet that lists available financing for businesses. Call 413-781-6045 and ask for their Guide to Economic Development Resources.

And the Massachusetts Industrial Finance Agency (MIFA) administers the Seafood Loan Fund, which provides belowmarket, fixedrate financing for companies engaged in the shipping, processing, distribution, and/or marketing of seafood products. Call them at 617-451-2477 for details.

The U.S. Small Business Administration (SBA) helps small business in several ways: guaranteed loans are made available to small business by private lending institutions; their 504 program provides longterm financing for fixed asset acquisition; and their Innovation Research Grants allow wouldbe entrepreneurs to test innovative ventures.

The SBA has an excellent program called WNET, which is designed to provide mentors for women starting businesses. And at the SBA Business Information Center at 10 Causeway Street



in Boston, computers are available to give access to a wide range of business information. For more information on any of their programs, call 617-565-5590.

Local Community Development Councils can be a source for small, low interest loans as well as a resource for learning about banks in your area that will make loans to small businesses.

## **Insurance**

Most businesses need several kinds of insurance. Some kinds, like workers compensation and automobile insurance, are required by law. Product liability insurance is not required by law; but in the specialty food business, it is strongly recommended. In practice, many distributors and retail locations will require proof of such insurance before doing business with you. Other kinds of insurance, like liability, fire, business interruption, life, disability, and keyperson, are not required, but may be desirable for your particular business.

Find an insurance agent whose advice you trust, and discuss all of these kinds of insurance. Insurance agents will meet with you and make recommendations free of charge. A booklet from the U.S. Small Business Administration will help to prepare you for the discussion with your agent. It is called Insurance Checklist for Small Businesses, and it is available for a small fee.

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## **CHAPTER FIVE: Developing a Business Plan**

A simple, clear business plan is essential for a small business. You will need a written plan to obtain funding and to guide you through starting and building your new business. Your plan will be the result of much research and organization. It will include descriptions of your products, your market, your customers, and your management team as well as financial data and earnings projections. Your business plan must bring your ideas to life for skeptical investors who may not know the food industry. Even if your plans are modest, and you are not looking for funding, this exercise will help you to better understand your business both now and in the future.

### **1. Describe your product or service.**

- a. Describe the product physically, or describe what your service will do for people.
- b. What makes your product or service different?
- c. How will it help a consumer?
- d. Why would someone buy your product?
- e. Is it easy to use?

### **2. Describe your market.**

Your goal in this section is to convince a skeptic that there is a strong market for your product, and that consumers will pay your price. This research will help you to determine how much of

your product you can sell, where you can sell it, how much you can charge for it, and how you'll get it to the consumer.

- a. Identify your customers by age, income, sex, preferences, etc.
- b. Where are they located geographically? How will you get your product to them by mail, in multiple retail locations, at your facility? And what costs does that method entail?
- c. How do you know these people want your product?
- d. Discuss how you will set your price, and how it relates to competitors' prices.
- e. What market share do you expect to get? And why?
- f. What are potential problems in meeting this goal, and how will you deal with them?
- g. How will you get the word out about your company and your product?
- h. Who are your competitors now? In five years? How does your product compare with theirs, and how can you best compete with their products?

3. Describe yourself and your management team.

- a. Your personal data: age, where you live, and have lived, special abilities and interests, your reasons for starting the business.
- b. What is your business background and experience do you have directly related experience?
- c. What is your educational background?
- d. Do you have any managerial experience?
- e. Who else is on your management team? What are their backgrounds?
- f. What functions will be performed by the team? Do you have the skills needed?

4. Describe your personnel.

- a. What are your personnel needs, now and in the future?
- b. What skills must they have, and are such people available in the area?
- c. Will you need to train your employees? If so, how much will it cost, in both time and money?
- d. How many fulltime and parttime workers will you have, and what will your pay scale and benefits program be?

5. Describe your financial needs. (The plan must be accompanied by a personal financial statement.)

- a. How much do you need?
- b. How is the money to be spent? (Working capital, new equipment, inventory, supplies, etc.)

## **Gathering the Data**

Potential sources for the data you need include market research firms, SCORE (Service Corps of Retired Executives), college and university libraries, the Internet, and commercial online services

like CompuServe, Prodigy, and America Online. Also trade journals, newspapers, and financial publications.

The Securities & Exchange Commission has marketing and financial information on any company that has offered public securities.

You can talk to your suppliers and customers, arrange focus groups of potential customers, interview industry experts, and even do limited test marketing.

## **Writing Your Business Plan**

Once you've gathered your data, you're ready to begin writing. Be sure to answer all the questions on the lists above, and remember that you're writing for people who may not have intimate knowledge of the industry.

1. The plan should be complete, clear, and accurate (don't be surprised if you end up with a ten to twenty page document). Remember that this will be the first impression a reader has of you and your business idea, and first impressions are very important. Before you finalize your plan, ask a friend whose judgment you trust to read and critique it, and carefully consider his or her suggestions.
2. The plan should begin with a one or two page summary of the product and the market opportunity. The summary should make the reader want to know more. It should be a preview of the major elements of the plan: the product, the market, the management team, the amount of capital needed, and investment opportunities.
3. Next, describe the people on your management team, giving their background, their role in the company, and their particular skills.
4. Then explain the product, as outlined above. Include drawings or photos if possible.
5. Describe your market: potential customers, why they would buy, how much they would pay.
6. Describe the competition and show how your product differs.
7. The marketing plan describes how you'll contact and sell potential customers. Project sales volume and market penetration figures.
8. The operational plan ties everything together by explaining how you'll use the funding to market your product, build your business, and distribute your product.
9. The financial analysis will show what your plans will cost. This section will include revenue and expense projections, cash flow, and investor repayment schedules by month or quarter for the next three to five years. (If this is an existing company, provide three years of historical financial information as well.) Include units sold and returned, cost of sales, operating expenses, miscellaneous income, and taxes. You'll need several documents: a budget, a cash flow analysis, and a balance sheet. Your accountant will help you to prepare these documents.

## **Getting Help**

If you're feeling somewhat confused and in need of advice, you're not alone. Most entrepreneurs who start new businesses do need help even beyond that provided by lawyers, accountants, and insurance agents.

In 1980, the Massachusetts Small Business Development Center (MSBDC) was born to answer the needs of people like you. It's a consortium of Massachusetts schools led by the UMass/Amherst School of Management. Participating schools are Boston College, Salem State College, Clark University, and UMass/Dartmouth.

The MSBDC combines the resources of government, education, and the private sector to provide a high-quality program of one-to-one counseling for small businesses. There are eight regional and specialty centers (located in Amherst, Boston, Chestnut Hill, Fall River, Salem, Springfield, and Worcester) where you can get help with business plan development, finances, cash flow management, human resource issues, marketing, and more. The MSBDC can also provide you with technical assistance for your manufacturing problems. At all the MSBDC centers, training programs, seminars, and counseling are offered for a nominal amount. It's a valuable resource, and one you should certainly explore while you're in the process of planning your business. See the Resource section below for exact locations and phone numbers.

Another source of help is the Massachusetts Office of Business Development, which runs five OneStop Business Centers in the state. Each office is staffed with professionals who know about all the programs and opportunities available throughout the state and can determine what state and/or local resources can be useful. They'll help you find assistance with developing your business plan, finding financing, and getting management and technical training. See the resource list below for the phone numbers of the center nearest you.

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## **CHAPTER SIX: Label and Product Regulations**

Labeling of your specialty food product is very important. The label fulfills two functions: it persuades a consumer to choose your product over one of your competitors' products, and it announces what your product is, what it is made of, and what its nutritional content is.

Depending on the size of your business, your label must comply with Federal label regulations and with the new nutritional labeling law. Be sure to call the FDA at 781-596-7700 and ask for a copy of their Food Labeling Guide; it's an illustrated booklet that should answer all your questions.

There are small business exemptions for small food companies, and you may qualify. However, consider that nutritional labeling can be a marketing asset. If you want to qualify for the exemption, call 781-596-7700 and request the Small Business Food Labeling Exemption Notice. (In order to keep your exemption, you must file each May with the FDA.)

In addition to the FDA requirements, your label must comply with Massachusetts labeling regulations (105 CMR 520.000 Labeling).

Massachusetts requires the product name; ingredients listed in descending order of predominance by weight and a complete listing of sub-ingredients in a composite food ingredient; total net weight (in ounces, pounds, pints, etc.); dual declaration of net weight if product weighs one pound or more; keep refrigerated or keep frozen if applicable; recommended storage conditions; open date and recommended storage conditions; name/address of manufacturer, packer, or distributor (and name if company is not in the local phone book). If the food has a standard of identity as defined in Standards of Identity and Definitions of Purity and Quality of Food, the food must meet that standard in order to be sold under that product name.

FDA regulations require the following label information: nutrition data; an ingredient statement for standardized food; net weights expressed in dual declarations (ounces/ml); all FDA certified colors declared by the approved name (example: FD&C Yellow #5); food allergen labeling (FALCPA).

## **FDA Requirements**

The Food and Drug Administration ensures that products are labeled properly and in a manner that will not mislead the consumer. Thus, certain laws, specifically the Food, Drug, and Cosmetic Law and the Fair Packaging and Labeling Act, have been enacted to standardize the labeling of products. The laws apply to products produced domestically and internationally. Each year, on April 1st, amendments to regulations are published under Title 21 of the U.S. Code of Federal Regulations. It is the explicit responsibility of producers to stay current with any changes in product labeling policies.

Some statements on your products must be placed in specific locations. The Principal Display Panel (PDP) is the portion of your product label that is most likely to be seen by consumers when the product is displayed. The Information Panel (IP) is the panel to the immediate right of the PDP. If the panel to the right cannot be used due to package construction (i.e., folded flaps), then the panel to the next immediate right becomes the information panel.

## **Information to Appear on the PDP or IP**

Certain required information must appear on the PDP or IP, as indicated below. All statements must be written in English, conspicuously displayed, and in terms that the ordinary consumer is able to read and understand under normal circumstances.

1. Name, street address, city, state and zip code of either the manufacturer, packer or distributor.

The street address may be omitted if the firm is currently listed in a city or telephone directory. If the food is not manufactured by the person or company whose name appears on the label, the name must be qualified by Manufactured for, Distributed by, or a similar expression. This information can appear either on the PDP or on the IP.

## 2. Accurate net weight of the food in the package.

The net weight of a product is the weight of the food in the package, excluding the packaging materials. This holds true for both solid food and liquid food products. For products packed in liquids (mushrooms, olives, etc.) the drained weight should be used the fluid is considered part of the packaging. The net weight must be expressed in both metric units (grams, kilograms, milliliters, liters) and in the US Customary System (ounces, pounds, fluid ounces). The quantity of contents declared must appear on the PDP in lines generally parallel to the base of the package when displayed. The information must appear in the lower 30 percent of the PDP and should be a distinct item. The type size of the net weight statement is determined as a percentage of size of the Principal Display Panel.

Using the lower case o, the minimum sizes of the letters are as follows:

Letter size	Square inches of label
1/16 inch	5 square inches or less
1/8 inch	525 square inches
3/16 inch	25100 square inches
1/4 inch	100400 square inches
1/2 inch	400 square inches or more

## 3. The common or usual name of a food

The common name of the food must appear on the PDP. The name must be written in bold type and should stand out from the background as much as possible. It must be in lines generally parallel to the base of the package as displayed. Unless the actual contents of the container are visible through the container itself, the form of the product must be stated on the label, either through words (chopped, whole, sliced, etc.) or by showing pictures of the product form on the label itself.

## 4. The ingredients.

The ingredients must be listed by their common names and in the order of their predominance by weight as well as a complete listing of sub-ingredients in a composite food ingredient.

Ingredients are not the chemical composition, but rather a listing of the individual foods that come together to make the final product. There are many rules about what must be listed. If an ingredient is the characterizing element of the food, such as crab in crab meat, the percent of that ingredient may be required to be part of the name of that food on the label.

## **Nutritional Labeling**

The Nutrition Labeling and Education Act Amendment, which went into effect in 1994, basically states that all processed food products offered for sale must be labeled to show nutritional content. Producers must use the new nutrition label format.

There are specifics as to the size and shape of the label as they relate to the size of the package. The information must be presented on the IP of the package the panel to the immediate right of the Principal Display Panel. (You can place it to the immediate right of the IP if either space or the construction of the package warrants it.) Since there are many restrictions involved in nutrition labeling, you should obtain a copy of the regulations, which are contained in Title 21 of the Code of Federal Regulations. Or check with your label/graphics designer or one of the many consultants offering service in this area.

Small producers who fall into one of the following categories do not have to put a nutrition label on their products, provided an exemption form is filed with the FDA:

Total sales under \$500,000, food sales under \$50,000, fewer than 100 fulltime equivalent employees, and production of fewer than 100,000 units.

Other exemptions, which don't require filing a form, include:

- Products that are sold through food service vendors, vending machines, or sidewalk vendors.
- Ready-to-eat food prepared onsite, such as bakery, deli, and candy store items.
- Foods with no significant amounts of nutrition, including some coffees, teas, and spices.
- Packages with labels smaller than 12 square inches are not required to have a nutrition label; however, a statement must be on the label stating a telephone number to call for nutritional information.

NOTE: If your product claims to have any nutrient content, or makes any health claims, you must provide nutritional labeling, regardless of production size, number of employees, or place where the product is manufactured.

### **Food Allergen Labeling**

The Food Allergen Labeling and Consumer Protection Act of 2004 (FALCPA) addresses the labeling of foods that contain certain food allergens. All packaged-foods labeled on or after January 2006 must comply with FALCPA's food allergen labeling requirements.

Under FALCPA, a "major food allergen" is an ingredient that is one of the following eight foods or food groups:

**MILK, EGG, FISH, CRUSTACEAN SHELLFISH, TREE NUTS, WHEAT, PEANUTS, SOYBEANS**

FALCPA requires that:

- For tree nuts, the specific type of nut must be declared: Example: almonds, pecans, or walnuts
- For fish, the species must be declared: Example: bass, flounder, or cod
- For Crustacean shellfish, the species must be declared: Example: crab, lobster, or shrimp

FALCPA's requirements apply to all packaged foods sold in the United States, including both domestically manufactured and imported foods.

## **UPC Codes**

Uniform Product Codes consist of a sequence of twelve numbers that are used to identify a product and its origin. The first six numbers are assigned by the Uniform Code Council in Dayton, Ohio, and represent the manufacturer's identification number. The second five numbers are used by the individual manufacturers to designate their respective products. The twelfth number is a check digit.

There is some debate as to whether or not a specialty food producer should adopt Uniform Product Codes for his individual line of products. The debate concerning UPC codes stems from whether or not smaller producers who obtain a code may be viewed as having a product suitable for supermarkets, rather than specialty food stores. Most supermarkets now require that products have a UPC code, and increasing numbers of specialty food suppliers are obtaining codes as they move their products into larger distribution. Others feel that having a code may make their products appear to be massproduced.

There are other benefits of a UPC code beyond allowing your product to be scanned at the grocery store. Markets that use scanners provide faster checkout for consumers, but they also gather vast amounts of information that can be used to determine supply levels and help with automated ordering systems. A specialty producer can use the codes to track his internal inventory.

Some supermarkets have coded savings cards. These cards are scanned before the order is entered, and provide information about the individual consumer's buying habits. Profiles are based on information provided by the consumers on their card applications, and contain income level, geographic location, household size, etc. This system gives the market owner information that helps him to order and stock items his customers want. With some prodding, distributors may be able to get this information from the markets.

### **Getting Set Up in a UPC System is Relatively Simple:**

First, request a membership kit from the Uniform Product Code Council. After acceptance, you will be assigned a sixdigit code and specifications about the use of the code. The fee is based on the latest annual total sales volume of your company.

Next, assign a number to each of your products. The number assigned to each product should not contain information that represents specific characteristics, such as the weight, size, or color of that particular product; the codes should be somewhat random in nature. But be sure to keep careful records of the codes, and do not assign any duplicate codes.

Post a list of the codes prominently so that all employees will have access to it. The codes should be used on invoices, shipping labels, packing lists, catalogs, etc.



Department of Health and Human Services  
Public Health Service  
Food and Drug Administration  
Northeast Division  
1 Ashburton Place, 11th Floor  
Boston, MA 02108  
617-573-1600

[www.mass.gov](http://www.mass.gov)

For a Small Business Labeling Exemption, or any other question relating to labeling or nutritional labeling requirements and health claims.

Massachusetts Nutrient Data Bank  
Chenoweth Lab  
Amherst, MA 01003-1410  
Fax: 413-545-1074  
Contact: Mary Jane Laus  
[laus@nutrition.umass.edu](mailto:laus@nutrition.umass.edu)  
Lowcost nutritional analysis and nutritional labeling assistance.

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## **CHAPTER SEVEN: Label Design**

The design of your label is every bit as important as the development of the recipe for your product. In some cases, it may be even more important. Without a label, no one but you will know what is inside the package. Your label is your best advertising opportunity and one of your best sales tools. The label helps to convey the personality of the product.

### **Look at the Competition**

Before you design your label, do a little market research. Start by visiting stores that carry specialty food products. Look at competitors products. (And cruise through the other aisles while you're there you just might find some new ideas.) Packaging changes constantly. You'll want to see new innovations in tamperproof, recyclable, and reusable packaging. It's also instructive to see how labels look on the shelf next to each other what gets your attention just might influence how you treat the design of your label. Trade shows are also great places to learn about package and label trends. You don't want to reinvent the wheel; you want to use existing containers, boxes, tins, and bottles in new and exciting ways.

### **Your Market**

Next, consider the consumer. Your market research has identified your target consumer. You need to keep this profile in mind when you design your package and your label. The package

should relate to the product. The consumer should be able to tell what the product is, based on the type of package: box, jar, bottle, plastic jug.

Your market will also determine the package. If your product is sold primarily as a gift, it may require a slightly different presentation than a product sold primarily in a food store alongside massmarketed products.

The packaging should give consumers an idea of the cost of your product. If you have a slightly higher retail price, your packaging should reflect that. It implies that the product is a specialty item, and consumers will expect to pay a bit more.

The way the product will be used may influence decisions about the flexibility, the overall size, the closure, and other such issues.

Availability and shipping costs are also a consideration. The weight of the container and special handling needs for mailorder products should be addressed.

Also think about store display. Shelf space is limited, and some grocers and retailers will have requirements for your product. If your package deviates from the standard shelf height for products like yours, you may find it hard to get your product into certain stores. Talk to retailers, grocers, and distributors and talk to the container manufacturer about these issues.

## **Naming Your Product**

Of course, before you design your label you'll need a name for your product. There's a good chance you've already thought of a name. If so, it's a good idea to reconsider your choice and make sure it's right. If not, it's time to decide.

The name of the product should tell consumers what it is. The name is the product's identity; like its design, it helps to define the personality of the product.

Many specialty products are named for the person who created the recipe or for the place where the product is manufactured a farm or country inn, restaurant or state. These names help to lend a personal touch to the product and establish its personality. That is part of what lends charm and uniqueness to specialty food products.

Here again, it's important to think of your market. If your product will be purchased primarily as a gift, you may want to consider using a location in the name. That would make it a nice souvenir for travelers to keep or give to friends. If you intend your primary market to be specialty food stores, an offbeat name that shows a bit of innovation may be in order.

Try out some names on your family, friends and anyone else willing to give you an honest opinion. Gauge the response to each.

## **Label Copy**

Think about ways in which you can build on a sense of place and personality in your label copy. Leave a panel open to tell a little bit about who produces the product or where it comes from. It gives your product a personality that a massmarket product doesn't have. That personality is a strong selling point; it's one of the things that makes specialty products appealing to consumers. Also include information on how to use the product. That information helps to broaden your appeal to a less sophisticated audience, who may not know exactly what to do with a certain type of seasoning, sauce, or condiment.

## **Hang Tags**

Also consider hang tags as an additional selling device. A hang tag is the tiny tag that hangs off the neck of many bottles. Usually it carries recipe suggestions that add perceived value to your product and help to personalize it. A hang tag is also another way to increase the use of the product and to establish a connection with the consumer. And if you have a family of products, this is a place to tout each one.

## **Designing Your Label**

Getting help from a graphic designer or a design firm is strongly recommended. A well-designed label makes your product easier to sell to consumers, retailers, mail order catalogs, brokers, and distributors.

Look for a designer or firm that has produced labels or package design. To find a designer whose work you like, walk the aisles of markets and retail shops and jot down the names of products whose labels appeal to you. Contact the companies and ask for referrals.

A warning: it is not a good idea to work with a designer who is already producing a label for the manufacturer of a competitive product. (And in any case, most reputable designers would politely refer you to another designer or firm if they felt that working on your product would harm their relationship with their current clients.)

Select a few designers and arrange to meet with them and to see a portfolio of their work. Discuss fees and expenses. Then determine whom you feel most comfortable working with. Your decision should be based on your response to their portfolio of work, your feelings about how well you would work together, and the proposed fee structure.

Remember, this is a very important relationship. Your designer must produce a label and logo that will capture the essence of the product you've worked so hard to produce. There's a lot riding on the success of your decision, so be sure it's based on all the factors not just on price.

Some designers will work for a flat fee plus expenses. Others will work for a fee plus royalties. The latter is sometimes an easier arrangement for a smaller producer, as it allows you an initially lower fee for the design of the label and the first printing. If the product sells well and you reprint the label, the designer will be paid a predetermined royalty based on the print run.

There are creative ways to negotiate fee structures. Be honest about how much you can afford, and let them tell you if they can work within your budget. Get a contract that spells out who retains the rights to the artwork and whether royalties are to be paid for future printings. Be specific about the pressrun and the royalty agreement. The graphic design industry has guidelines intended to help you and the designer to create a contract that covers all of these issues and more. Typically, the fees for logo and label design range from \$800 to \$3,500. In some cases, designers may be willing to trade for their services; try suggesting that they use your product as a gift for their clients.

## **Working with Your Designer**

Your designer will need to know the package sizes, the number of colors available for printing, and all of the copy that must appear on the label (including nutritional labeling formats, and net weight information).

You'll also want to discuss who your competition is and where you plan to sell your product. If your product is massmarketed, the label will have a different look than a product available only at gourmet food stores or retail shops. You may need two different labels for the same product if you have two very different markets. Have your designer go to the market to see what other products look like and to get a better sense of where your product will be sitting on the shelf.

Your label copy will have to comply with state and federal labeling regulations see the chapter on Label Requirements for more information. Your designer will need to contact the company that will print the labels to get print specifications and information on available dies (shaped labels) for use in the design.

If you have an existing product and want your package redesigned, take the package with you so that you can discuss with the designer what you like and dislike about the existing label. You'll want to carry over some aspects of the label into your new design so that consumers can quickly identify your product on the shelf. The same is true if you are introducing a new addition to your family of products. You should build on the brand identity you have established with consumers. If they recognize some familiar aspect of the label, they may try your new product out of brand loyalty.

The designer will show you sketches of the proposed design after your first meeting. You'll meet to discuss the sketches, and then the designer will revise the ideas and present you with a final sketch for approval. Then they will commission artwork, or produce the finished artwork. If you don't like the proposed designs and revisions, and feel you can no longer work with the designer, you can opt to terminate the relationship by paying him what is called a kill fee. But if you have carefully and thoughtfully done the preliminary work of interviewing, looking at portfolios, and checking references, this should not happen.

Sometimes it's hard to choose which design you like best. If that's the case, consider showing the sketches to family and friends, in addition to any retailers, brokers, or distributors who are willing to give you an opinion. It is always a good idea to get other reactions. You're so close to the product that you may overlook some aspect of the design or presentation of information. It's

also a good idea to show a copy of the proposed design to the printer to ensure that he can reproduce the design without any problems or additional charges.

#### Before You Print Your Labels: A Final Checklist

- Doublecheck the nutritional panel information.
- Make sure the label will be easy to apply to the container you've chosen. Try one out to make sure it wraps and sticks without effort or wrinkling.
- Check trademark notations where applicable.
- Make sure all legal label language is included.
- Have a new set of eyes read all of the copy before you ship the final artwork to the printer.

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## CHAPTER EIGHT: Promotion

In order to sell your product, promote it to wholesale buyers and to consumers through a combination of efforts: public relations, advertising, and sales promotions. There are two target groups to reach: those who would buy the product for resale, and the consumers who will buy the product directly from you or from retailers. Each target group can have a specific type of promotion.

### Public Relations

Public relations is promotion aimed at interesting the media - newspapers, magazines, radio, TV - in your company. If you are successful, the media will generate positive stories about you and your product that will provide you with publicity you can't buy. It's a third party endorsement that adds to your product's credibility.

After you've done the work of building the profile of your customer (if you also want to reach buyers and distributors you'll need to build the same type of profile), you can create materials that will sell your story to the media.

You can act as your own public relations firm or turn to a professional. Getting media attention takes concerted effort and a working knowledge of what media will yield results. Public relations firms deal with the media every day. They know the writers, editors, and broadcast producers. They can reach them and speak their language. They know the mechanics of sending out press releases, followup letters, and faxes. They know whom to contact and when to get the information out. They know how to pitch your product and how to send out samplings. But there's no reason you can't learn all of this, too, over time, and handle your own public relations. After all, you should be the ideal spokesperson for your company.

If you decide to use an agency, pick one that will represent you well one that has a good track record working with other clients who are also selling specialty foods. A firm that has successfully represented specialty food producers will understand your market and they will have contacts with food editors and writers. It will be money well spent.

Public relations is the least expensive way to reach the widest potential audience, but there is a catch: it takes time to make inroads. You'll want to allow time to produce results. It takes several efforts and repeated contacts, resending of press releases and products before many editors and writers acknowledge your efforts. You need a good press release, and an interesting angle to your story one that makes for a compelling read. And remember, you can't buy editorial coverage. You can package information in a compelling way and you can direct information to the proper people, but you can't guarantee that you'll get press coverage.

The goals of a public relations campaign should be to gain credibility through press coverage, to build brand and name recognition, to reinforce your efforts to reach retailers and consumers, and to create a public persona for your company. Be sure to get exposure in trade publications as well as consumer publications. Your media list should include radio and television 15% discount on advertising space they place, so they shouldn't charge you for placing ads, just for creating them. It is important to find an agency that is willing to work within a limited budget and one that is clear about costs and fees. Don't always pick the largest agency. Small agencies may enjoy the opportunity to grow with you, and might give you more attention.

The press release is the vehicle that gets news about your company and your products to the media. (See the end of this chapter for a sample.) It can announce a new product, a milestone in your company's history, new people in top management roles, an award you've won, or a special event. A press release should be concise (it's best to keep them to one page), clear, factual, and well written. Lead with a catchy headline or subhead, include the basics (who, what, when, where, why), use active words and short sentences, avoid overstatement and jargon, and include background information about your products/services.

Another tool is the pitch letter. This is used to suggest a story idea to an editor or writer. A pitch letter is similar to a press release: it describes your product or service and tells why it is newsworthy. You might include samples or photos and some recent press releases.

Media representatives usually attend trade shows. Find out from the promoter what television or radio stations, papers, and magazines will attend. Send them information about your product in advance of the show, and invite them to stop by your booth. Be sure to have media information available at the show.

It's important to follow up press releases with a reinforcing phone call this reinforces your message and begins the process of developing relationships with media people.

## **Advertising**

When you have reached the point of determining if and where you are going to advertise, you will have already determined your markets, both geographic and demographic. With this

knowledge, you can now determine where you might want to advertise newspapers, magazines, radio, or television.

Advertising is expensive. To be effective, your ad should run more than once in the same place. Repeated advertising works better than a oneshot. Think about how you as a reader recognize ads that you see over and over. The message seeps through a little more each time you see the ad. Repeated exposure lends familiarity and credibility, and may help to prompt someone to reach for or ask for your product at the market. Seeing your ad will also make your retailers and distributors happy. As is the case with public relations, if retailers and distributors see your product in the media, or if they see your ads, they feel better about representing you. It validates their belief in your product and supports their efforts to sell the product.

You can choose to handle advertising yourself, or, as in the case of public relations, you can hire an advertising agency. An agency can help you with logo design and advertising design and will make advertising recommendations and work out a budget for you.

Agencies will bill for the design and production of any work they perform. Agencies get a In copy that they create for you. In the event that you want to use the logo or other material elsewhere, you want to insure that you retain ownership.

Before you start your advertising campaign, you ll need to know about your competition, where you plan to sell your product, and your goals. You ll also need to have an advertising budget. (If you hire an agency, make sure they have all this information, and that they sample your product they can t tout it if they don t know what it looks or tastes like.) Study samples of competitive ads and products, focusing on why your product is different. And remember, you re looking for fresh, creative approaches.

Local TV stations, radio stations, and newspapers usually have inhouse advertising people who can help you develop and produce your ads. It s not hard to create simple blackandwhite print ads by yourself on a desktop computer. There are many affordable programs that will lead you through design steps and allow you to create attractive and effective ads for newspapers and newsletters. One such program is Microsoft Publisher; check local computer stores for others.

When you re ready to place ads, contact the publications and ask an advertising salesperson to send a rate card that will outline costs and explain the circulation breakdown. In many cases, the publication can work with you to design an ad if you don t have one prepared. Often, publications develop special advertising sections, where all ads are of a standard format, and placed together with a common heading (for instance, a section on mail order food, or one on gift baskets). Consider these sections, especially if you don t have an ad prepared they can be less expensive than runofbook ads.

You might ask the salesperson if the publication would consider barter: you could pay off a portion of your advertising bill with product. Many newspapers and magazines are willing to work this way. If they have a use for your products, you may just be in luck.

Advertising agencies will write and design your ads and arrange for placement in various media. Make sure that you negotiate rights to any design or stations, newspapers, magazines, and newsletters. Use phone books, newsstands, bookstores, and libraries to develop your list. (And don't hesitate to ask a reference librarian for help.)

## **Sales Promotion**

Sales promotion is the umbrella phrase for anything that helps sell your product to the consumer, the distributor, or the retail buyer, and helps promote your product to the press.

Sales promotional material is rather straightforward. A good sales piece, sometimes referred to as a slick, is usually 8 1/2 x 11, printed in four colors, and includes color pictures of and information about your products. You may include order information, but you should always include your company name, logo, address, phone, and fax. Including prices would restrict the life of the piece you'd have to reprint it each time your prices changed. A better idea is to insert a Xeroxed price sheet.

You can work with your ad agency or a local design studio to create and produce a sales slick, or you can work with a specialty printer who offers fullservice design and printing. As with other creative work you commission, negotiate up front the rights to all the creative material that is being produced. Don't let the studio or the printer maintain the rights, or you'll be forever locked into using that vendor for future printings or use of the creative image and copy.

To find printers or a design studio capable of producing slicks, check with your local trade association, or talk to other producers and get their recommendations. Get samples from any firms you are thinking about hiring, and make sure to proof everything before it gets printed.

Shelftalkers are another popular sales promotion tool. These are small printed pieces that are positioned in front of your product on the grocery shelf. A shelftalker is way to catch consumers attention as they make their way down the aisle. You can include information about product use, a recipe, nutritional value, or other information that may compel a consumer to buy your product. You'll want to talk to your distributor or retailer before committing to creating your shelftalker. Make sure your retail outlet permits the use of these devices, and find out what the specifications are before you begin to produce the piece.

You'll also need to have color slides shot of your product. These will be used to create the images for your sales slick and will be used for public relations opportunities sending professional slides with press releases increases the chance of having your product pictured. Professional photographers know how to light and style the picture so that it presents your product in the best possible way. Always insist on retaining the rights to all photographs and slides for any future use. You should spell out the rights in your agreement with the photographer. They should include the right to use the photograph for advertising, promotion, publicity, and publication.

There is no end to the ways you can find to promote your product. Think creatively: where dollars are scarce, imagination is important. File copies of all of the press coverage you receive



so that you can use those clippings when you are trying to sell your product to a retailer or distributor. Send out samples of your product to the media. Talk to stores about product sampling. Donate product to be used for local benefits. Pitch your product to country inns and bed and breakfasts many sell specialty products to their guests.

Instore sampling and other product giveaways are a means of promoting your product. If you plan to sell to supermarkets, it is common to provide a free case of product for each store.

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## **CHAPTER NINE: Distribution and Sales**

Distribution is the means of getting your product into the hands of consumers. Although distribution methods and strategies vary depending on the individual company, its product, business plan, and target market, there are five basic ways to get products distributed:

- Direct sales to the consumer
- Direct sales to retailers
- Contracting with a distributor
- Contracting with a broker
- Mail order

A key factor in developing your distribution plan is the availability of your product. Because small producers often are not equipped for largescale production, they often begin by introducing their product into one small geographic area. Your fiveyear plan could call for you to introduce your product locally, then expand the market to include the whole region, and ultimately make the product available nationally. When developing this plan, consider your potential customers, the shelfstability of your product, and shipping costs. Also consider using brokers and distributors or fulfilling orders by mail as alternate ways of penetrating distant markets you probably won t be able call on retailers and distributors nationwide. Of course, if your product is a regional specialty, you will have limited markets beyond your home territory, and may not expand to national distribution.

The growth of your production capability shouldn t be rushed: don t overextend yourself by selling to too many outlets too soon. Grow the business gradually so that you can fulfill orders in a timely fashion without straining your systems. Don t contract with distributors, brokers, or retailers until you are confident that you can fill your orders on time, both now and in the near future.

Many startup companies sell their product directly to the retailer. Competition for shelf space is fierce, and until you can demonstrate that your product will sell, distributors and brokers may be skeptical about trying your product. You will need to make the rounds, pitching your product to retailers at gift shops, specialty food stores, and retail locations. That s another reason to introduce your product in a small area at first.

## **The Methods**

### **1. Direct sales to the consumer.**

Because there is no commission, selling directly to the consumer will produce a greater profit margin for you. It provides you with an opportunity to learn more about your customers likes and dislikes. It allows you to do market research by talking directly to the consumer and testing price sensitivity. Your direct sales experience will make you more knowledgeable and persuasive when you begin to talk to retailers about market acceptance of your product.

Opportunities to sell direct to consumers include fairs, shows, outdoor markets, and mail order catalogs. Some producers have a restaurant, an inn, or a retail shop where they make the product available to customers.

### **2. Direct sales to retailers.**

The market for specialty food products is expanding. There are many more options and outlets than in the past. Primary markets include specialty food stores, independent and chain grocery stores, delicatessens, inns and bedandbreakfast establishments, kitchen and cookware stores, retail shops, gift shops, gift basket businesses, buyers clubs and food service companies.

To pitch these retail accounts, you ll need to make visits and send promotional material by mail. Your plan of attack will take into account the geographical distribution of your product. Some locations you can visit in person; others will have to be contacted by mail and phone.

Mailing lists of retail stores, grocers, gift shops, and gift basket businesses are available for rent from list brokers (see your local yellow pages). Mailing list brokers will rent you lists of names of potential customers for \$85 to \$120 per 1,000 names. This fee entitles you to use the list only once. You can purchase lists based on store volume, location, and other factors that categorize the establishment.

If you are resourceful, you can create your own list by finding the names of retailers in the library, the Yellow Pages, and by getting names from trade publications. Most chambers of commerce or information centers have advertising pamphlets that list merchants in the area. Trade associations will often make lists available to members.

Create a sales/promotional package that includes a sales slick describing the product (fourcolor if possible), and an order sheet that lists sizes, prices, minimum and maximum order quantities, shipping and handling costs, and any discount or promotional programs you offer. To help increase response, you might offer a discount for orders received by a certain date; or offer a free case with the first order of so many cases. Structure your promotion so that you can afford to absorb the cost of the discount or giveaway. And be sure you can produce enough product in the event you get a great response to your offer.

In many cases, you will be able to call on retailers in person. Create a list of accounts and make appointments to call on them. Have product available for sampling as well as your sales sheets

and order forms. Be prepared: know why you think this retailer should carry your product and why it will sell in his store. Keep your pitch short and to the point. Be ready to counter objections with positive statements about your product. Don't knock the competition. And don't walk away mad if you don't make the sale on the first visit; it takes perseverance, a good attitude, and an ability to respond positively to the objections of the retailer.

If the retailer places an order, write him a thankyou note. If he doesn't place an order, write him a letter thanking him for his time and urging him to reconsider. Be prepared to visit several times, and stay in touch with periodic mailings of any new material, clips of press coverage, and promotional offers.

When you can't call on an account in person, you'll need to rely on phone calls to establish personal contact. Allow about a week between mailing information and following up with a phone call. Don't be discouraged if you can't get through; keep trying until you can talk to the buyer. Then be ready with information on the success of the product with other retailers, or your success selling directly to the consumer. Tell the buyer about discounts or sampling programs. Make yourself a crib sheet with answers to questions retailers are likely to ask, and keep it by the phone. Be confident; remember, you have to project your enthusiasm over the phone line.

Whether you are selling in person or by phone, be prepared to close the sale. Good salespeople will have a closing device ready for the buyer who is close to placing an order but needs a last little push. It might be an introductory discount or an offer to do an instore sampling. Just don't undersell the product in a moment of desperation.

You must learn the ideal times to pitch buyers in seasonal markets. For instance, if you want to sell your product to a gift basket buyer who does the bulk of her business during the holidays, pitch her in the spring. Some retailers who don't normally stock specialty products will do so at certain times of the year. Find out when, and schedule your sales promotions, calls, and pitches to coincide with their buying schedules.

### 3. Distributors

A distributor buys your product and resells it, at a profit, to his accounts. The benefit of using a distributor is that he can do the job of selling your product. Distributors offer experience, contacts, and market awareness. They represent territories; in some cases they sell specific market segments such as gift stores, grocery chains, delis, food service, or specialty food stores. They have existing accounts and work to increase their market share.

Most specialty food producers can benefit from contracting with distributors; the challenge is finding the right one for your product. This is an extremely important relationship, and one you'll need to consider carefully. To find a distributor contact other producers, trade organizations, and see the resource listings in this manual.

When you're considering contracting with a particular distributor, get a list of the producers he represents and the buyers he sells to, so you can determine if you are a good match. Find out how successful he's been in working with small businesses or producers like yourself. As you are

investigating the credentials of the distributor, he will be investigating you and your product. Distributors are looking for products that provide a good profit margin, sell well, and are delivered as promised.

Ask for recommendations from producers, retailers, and trade associations. Arrange to meet with the distributor. Be prepared to make your pitch and to listen to his pitch. You ll both need to evaluate how well your product fits into his markets.

Once you and a distributor have agreed to work together, you ll need to sign a contract. It s wise to have your lawyer read the contract over to ensure that you are protected. The contract should include a cancellation clause, information on the territory the distributor covers, term of the contract, pricing and order structures, and any promotional allowances or salessupport requirements.

#### 4. Brokers

While distributors buy product from you, brokers don t. They represent your product in return for a commission on sales. They sell directly to retailers and distributors. In some respects, they act in much the same way as a company salesperson would selling, maintaining accounts, and representing your product directly to the buyer.

Look for a broker who has a proven track record and who calls on accounts that match your target markets. Because the broker is basically a company salesperson, you should find one who knows your market, likes your product, indicates an ability to generate sales, and has existing accounts. A broker and their staff are representing your company to buyers, so be sure you feel comfortable with their sales and presentation methods. Plan to accompany the broker on sales calls periodically. That will help to solidify your relationship, bring to light any problems with their. presentation, keep you in touch with the market, and reassure you that you re getting the representation you need.

Examine the broker s track record on collections; you don t want a broker who consistently signs new accounts that are slow to pay or bad credit risks. Include language in your agreement that allows you to withhold commission until the vendor has paid for product. You might also consider a strict policy of requiring prepayment for all new accounts. Let the broker know that you will qualify all new accounts before you deliver product. You should also have a policy that allows you to deliver C.O.D. to existing accounts that have a history of payment problems.

Some businesses will contract for broker and distributor contracts after they ve been selling on their own for some time. They may want to retain some house accounts accounts they will broker and sell to directly. In that case, those accounts should be listed in the agreement as noncommissionable. It is also possible to hold out accounts that are close to being broken, and save commission on them. Some producers recommend using existing broker contracts that can be purchased at office supply stores like Staples.

To find a broker, ask fellow producers for recommendations, or ask store owners and trade associations for suggestions. Then go out and meet with the brokers to determine who can provide you with the best representation, contract, and opportunities.

## 5. Mail Order

Many producers sell their products by mail, direct to consumers. Specialty products can be advertised in mailorder catalogs, promoted in postcard mailings, and advertised in newspapers, magazines, and on radio and TV there are many creative ways to promote your product directly.

To sell your product to consumers by mail, you need to create and produce a minicatalog that provides product information and prices. You may also need to create advertisements if you determine that is the best way to reach your target audience.

There are certain rules that govern products offered by mail:

- The seller is liable for the food sold. It must be prepared in a stateinspected residential or commercial kitchen licensed by the Board of Health.
- Merchandise must be shipped on time: either by the ship date advertised, or within 30 days of receipt of order if no ship date is advertised.
- Customers must be notified if orders cannot be shipped within the allotted time, and they must be given the option of canceling the order.
- Records of order receipts must include documentation that provides backup in the event of a dispute or complaint.
- Sellers are required to have a resale number that exempts them from paying sales tax on raw materials purchased for the production of the product, including goods purchased wholesale as a manufactured product. To get a resale number contact the Department of Revenue at 1-800-392-6089 and ask for a T.A.I. application. The seller is responsible for collecting sales tax based on the cost of the goods sold to the consumer.
- Mail order businesses, like all other businesses, must be registered with the state.

When selling products through the mail, a moneyback guarantee reassures buyers that the product they ve ordered will meet their expectations. It is very important that the guarantee policy is clearly stated.

Mailing lists of consumers are available through list brokers. Lists can be rented for a onetime use for \$85 to \$120 per 1,000 names. A broker can deliver lists that are tailored to match the profile of your consumer. For insurance, if you know your buyers are mostly married urban females with household incomes of over \$50,000, your list broker will be able to select for you only the names that meet those criteria. It is important to keep using new names, to purge lists of duplicate names, and to drop lists that don t deliver an adequate response. To purchase lists you should contact businesses whose patrons you would like to reach. If those companies, stores, catalog producers, or retail locations do have lists, they will either sell them to you directly or they will refer you to their list broker. List brokers sell many lists and represent businesses who make their lists available for sale. They also help clients determine which lists might work the

best. They will provide the names and labels, and will source lists for you. You'll find list brokers in the Yellow Pages of your phone book, under list brokers.

Once you have the names of the prospective buyers, you can send a pitch letter, a sample of the product, and sales information. Follow up with a phone call in much the same way as you would with any other potential account.

More and more, established mail order catalogs are including specialty food products. This is a great way to sell your product. The competition to have products included is rather tough, but it's worth a try. Research existing catalogs to determine those that might be interested in carrying your product. Catalogs are produced with a target audience in mind. Their publishers have demographic information available that will help you decide if your product belongs in a certain catalog.

A good resource is The Vermont/New Hampshire Direct Marketing Group, P.O. 266, Charlotte, VT 05445, 802-860-8449/fax 802-425-3307. They provide seminars and assistance with the development of and the expanding of direct mail and mail order opportunities.

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## **CHAPTER TEN: Trade Shows**

Trade shows can be a great way to get your product into the hands of consumers, retailers, buyers, and brokers. But before you sign up for a trade show, you must evaluate a number of issues:

- What is the cost of doing the show?
- Will it allow you to reach your target audience?
- Review your production capability could you fulfill the increased number of orders you might get?
- How does the show fit into your marketing plan and your business plan?
- What impact will the show have on your cash flow and production projections?

One of the best ways to learn about specific shows and to gather general information about trade shows, competitors, and the industry is to go to a show as a visitor. Walking the aisles and talking to some of the exhibitors is time well spent. There's no better way to prepare yourself than to see what you're up against. Attend a specific show that you're thinking of exhibiting in. If you can arrange to visit the show before you sign up, you'll learn a lot about how to showcase your product.

There are different kinds of trade shows and exhibition opportunities. At retail shows, you sell directly to the consumer. At wholesale trade shows, you will sell to buyers. Some regional and local shows will allow both retail and wholesale sales, but on separate days.

A retail show will allow you to expose your products to consumers and to sell to them at retail prices. The net effect is more revenue per unit, but no real market penetration in terms of establishing retail outlets for your product. Selling well will help you establish that there is consumer acceptance for your product. And selling at a retail show will help you to understand pricing and consumer reactions.

The advantage of a wholesale trade show is that you are meeting and selling to the trade, which will help you to get your product placed in retail locations. You may not make as much money in the short run, but you are building your business and trade awareness of your product.

Trade shows also provide an opportunity for doing some valuable market research.

### **Cooperative Participation**

It is costly in both money and time to participate in a trade or retail show. Not everyone can afford to make such a major commitment; that's when cooperative participation is a good option. The Massachusetts Office of Agricultural Resources works cooperatively with a number of associations and organizations to buy a pavilion and rent out portions of the space to other companies. Working under this umbrella reduces the costs and helps to get smaller businesses into shows that might otherwise be beyond their reach. This is a very good way to gain experience, share the work, and be included in shows you might otherwise have to pass up. Being part of a pavilion, or shared space, can add to your presence at the show.

In many cases, the booth will be staffed by the association. Participating businesses will only need to supply product and sales literature. You can learn more about these opportunities by contacting the Department of Agricultural Resources, reading trade and association newsletters, and asking show promoters about the availability of cooperative booth space.

### **Taking Inventory**

Once you've decided to participate in a show, you'll need to address availability of product. You'll need to be able to fulfill show orders as well as any orders that you have already committed to. One of the biggest mistakes a business can make is overcommitting. Don't sell what you can't deliver on schedule, or you'll have unhappy distributors, brokers, and retailers.

Before you make a commitment to participate in a show, make sure you have a reliable production system in place. Project how much product you might need and how quickly you'll need to deliver orders. Also consider the cash flow implications. How much credit can you extend. Are you able to cover the cost of packaging, labeling, and producing product?

The exercise of determining the implications of being in the show will also provide you with a better understanding of how much product you'll want to try to sell at the show and help you to construct your sales and delivery program.

### **The Bottom Line**

Don't exhibit until you are ready . . . but don't hang back, either. Clearly, there is a great advantage to getting the attention of consumers and buyers. One assumes that most of the people and media attending shows are there to sample new products, place orders, and make purchases. You're not the only one trying to get the attention of these potential customers, so remember: you're going to have to stand out in the crowd. From the tabletop display and backdrop to the presentation of product and sales material, everything has to shine. You must be at your best even when you don't feel your best. Hone your skills on the smaller shows, and don't sign up for the most important ones until you feel you're ready for the challenge.

## **Designing Your Booth**

Trade show booth design is an industry in and of itself. While most specialty food producers design their own booths, others work with companies that design booth space for large and small businesses. As you begin to attend some of the larger shows, you'll understand that the competition is fierce. (That's just one more reason for you to see firsthand what a show is all about before you sign up.) You'll be competing against all the other exhibitors for the attention of the attendees, so how you present yourself is very important.

If you decide that you don't want to tackle the booth design yourself, consider hiring a local booth designer. They are usually the best bet for smaller companies. Ask for recommendations from other business owners. As an alternative, think about hiring an interior designer or a theater set designer many are capable of designing booth space.

## **Selecting and Working with a Designer**

Whomever you choose, establish a not to exceed budget when you contract for design. Get all the specifications and regulations from the show management at the start of the design process there are usually very strict guidelines you must follow. Most shows have a booklet that spells out the guidelines and restrictions.

Don't think that you or your designer can ignore the rules: most promoters are very strict, and you don't want to jeopardize your ability to participate. Keep in mind that you'll have to transport the design materials to the show site, so use sturdy but lightweight materials, and make sure they fit easily into a car or truck. Think about designing a backdrop and signage that you can use in different situations. That way you can amortize their expense.

A designer should submit sketches for your approval as well as a detailed list of the costs. Draft a contract or letter of agreement that details all the expenses and documents the approved sketch so that you can ensure you get the design you want for the agreed-upon cost. Allow plenty of time to get everything produced, and hold the designer responsible for delivering the finished work on time.

## **At the Show**

Knowing what you're selling and to whom is critical: this is your chance to meet consumers and buyers face to face. You want to capitalize on the opportunity.



Be prepared to sell the product efficiently. Sometimes you'll have only a split second to get the attention of buyers who are making their way through aisles of products. You need to grab their attention with your booth display, get them to sample or look at the product, and give them information about pricing, discounts, sampling, and a general sales pitch.

The more informed you are, the more convincing your sales pitch will be. Share the demographic information you've gathered. Talk about your customers and your target markets. Share your success stories any press coverage you've received, awards, sales figures that might wow the buyer. Have printed pieces and a sales slick, along with order information, for them to take with them.

### **Building and Using a Mailing List**

Have a means for collecting buyers cards. You may not be able to talk to everyone, so you need at least to get their names so you can contact them later, by mail or phone. How do you do this? Have a drawing for a great prize. Buyers, brokers, media contacts, and attendees can put their business card in a box and be eligible for a prize drawing. You can use these same tactics at a retail show to capture names.

What will you do with these names? When you introduce a new product, you can mail to your list. Periodically, you might send a note with a recipe. You might do a mailing at holiday time, or at a time of year when your business is usually slow. So don't miss the opportunity to capture qualified names people who have an interest in your kinds of products.

### **Do Your Homework**

Find out who is attending the show and plan to get in touch with buyers you want to meet. Invite them to visit your booth. When you sign a contract to exhibit, ask for a few complimentary tickets and send them to the top buyers on your wish list. If you are participating in a consumer show, invite a local retailer you've been courting.

Ask the show promoter about media names. If any writers, editors, or broadcast personalities are attending, try to lure them to your booth. Most shows have special registration tables for the media. Ask the press coordinator if you can give them some sales slicks and a letter to include in the media kits. Try to find out where buyers are staying, and arrange to have product sent to their rooms.

Work every angle. The more you know before you arrive, the better organized your attack will be. Take advantage of every opportunity to get your product seen. Enter any raffles, donate product for use at show events, and enter any contests that might help you get recognition.

### **Working the Show**

Don't underestimate how hard it is to pitch your product hour after hour, all day long. Practice before the show. If you don't think you have the personality to sell at the show, find someone

else to represent you, preferably someone who is as passionate about your product as you are. You can train that person and be there to answer any questions.

Know the key points you need to make. Selling against your competition effectively means making points about your strengths while refraining from slamming your competitors. You should talk to as many qualified buyers as you can, so don't waste time and don't get cornered by one person. Read badges and make eye contact with good prospects. Follow that lead. Be aggressive. Seek out those target buyers and media contacts. Don't be shy or you'll miss out.

Don't cower in the back area of the booth, but don't obstruct the entrance either. Draw buyers in by staying alert. You're there to get people to stop long enough for you to make a quick pitch. Whatever you do, don't stand around complaining about sales to your neighbor or your associate. Rather, think of how hard you've worked to get to this point. Project your sense of pride and enthusiasm. Half the battle is getting someone to try a sample of your product and stop long enough for you to make your pitch.

## **Tips**

- Talk to past exhibitors and get their input about the show before you sign a contract.
- Be sure you can afford to participate in the show and that you have the necessary materials.
- Establish a budget that includes travel, lodging, meals, and entry fees. Include labor costs if you'll need to hire an assistant. And be sure you know what expenses are built in: many shows have strict rules about what you must rent from them. Electrical hookups, tables, chairs, refrigeration, and storage fees can often be added to the basic entry fee.
- Read your contract carefully. Make sure you know what deposit is required and what the cancellation penalties are.
- Ask about coop space. Exhibiting with other vendors as part of a larger booth saves money and gives you a little backup. The Massachusetts Department of Agricultural Resources has a list of trade shows and works to create some great cooperative opportunities for Massachusetts producers.
- Make a list of items you'll need to take with you: hammer, tape, extra lightbulbs, paper and pens, business cards, file folders, a lock box for cash (if necessary), snacks, and other incidentals. Bring a change of clothes if you'll be setting up the booth and selling the same day: you'll want to look crisp and professional.
- Enjoy yourself. This is a time for you to shine. You've worked hard and have invested both sweat equity and money. Work hard, and after the show you can say with confidence you gave it your all.

International Food Brokers Association Top to Top Executive Chef Business Conference  
May, Chicago  
[www.narms.com](http://www.narms.com)

Washington Gift Show  
January  
[www.washingtongiftshow.com](http://www.washingtongiftshow.com)

Philadelphia National Candy, Gift, & Gourmet Show  
September, Philadelphia  
[www.phillycandyshow.com](http://www.phillycandyshow.com)

Winter International Fancy Food & Gourmet Show  
January, San Diego  
[www.specialtyfood.com/do/fancyfoodshow/locationsanddates](http://www.specialtyfood.com/do/fancyfoodshow/locationsanddates)

Boston Wine Expo  
February, Boston  
[www.wine-expo.com/boston](http://www.wine-expo.com/boston)

Boston Gift Show  
September, Boston  
[www.bostongiftshow.com](http://www.bostongiftshow.com)

The International Boston Seafood Show  
March, Boston  
<http://bostonseafood.com/07/public/enter.aspx>

Dairy, Deli, Bake  
June, Anaheim  
[www.iddba.org](http://www.iddba.org)

Northeast Foodservice & Lodging Show  
April, Boston  
[www.nefsexpo.com](http://www.nefsexpo.com)

US Food Export Showcase  
May, Chicago  
[www.nasdatradeshow.org/cms/2953/7242.aspx](http://www.nasdatradeshow.org/cms/2953/7242.aspx)

Summer International Fancy Food & Gourmet Show  
July, New York  
[www.specialtyfood.com/do/fancyfoodshow.locationsanddates](http://www.specialtyfood.com/do/fancyfoodshow.locationsanddates)

Natural Products Expo - East  
September, Baltimore  
[www.expoeast.com](http://www.expoeast.com)

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## **CHAPTER ELEVEN: Using the Internet for Marketing**

The Internet, the world's largest computer network, is the Information Super Highway you've been reading and hearing so much about. The Internet is a new medium for doing business. You can use the Internet as a marketing tool, much like you use direct mail, print, television, or radio. The special advantages of marketing on the Internet are the opportunity to be interactive with your customers and the potential to reach a much larger audience.

There are more than 37 million users currently online in the U.S. and Canada, and the number increases every month, according to a Nielsen survey. The Internet can be considered an extension of our regional market. Sixty-six percent of users are male, well-educated, and 25 percent have incomes over \$80,000. That's a good market for specialty foods. Some of the most dynamic sites on the Internet are for gourmet wine enthusiasts.

Since the Internet is interactive, it allows you to directly service your customer. Internet marketing can be integrated into your existing programs. That's important, because many business analysts are predicting that using the Internet to market will become a standard way of doing business in the future. Getting on the Internet now will help you to get experience and can aid in building your business.

The strength of a business can be affected by the strength of its relationship with its customers. You can use the Internet to make your company more accessible to customers to be a friendly partner with whom it's easy for them to work. Regardless of the size of your company, you can reach a national or international market at a low cost, communicate with potential customers and business associates, and send and receive email, files and documents.

### **What is it? And how do I get to it?**

The Internet is a vast network of interconnected entities. It's composed of sites all over the world including universities, hospitals, laboratories, government agencies, schools, businesses, and individuals. These sites are hooked together by regular phone lines, by satellites and microwave links, by fiber optic links. They communicate with each other by using protocols so that all of the many kinds of computers used will be able to talk to each other.

To access the Internet, you'll need a computer, a highspeed modem, software, and a service provider. Commercial online services like America Online, Prodigy, and CompuServe can provide access to the Internet. These services are all well-organized and full of interesting and helpful forums, files, and discussion groups. They are a good way to begin your online explorations. In fact, according to a study by a research firm called FIND/SVP, about half of all Internet users are connected through one of the commercial services. Thirty percent of users access the Net through America Online alone.

Another way to access the Internet is to find a local company offering a dialup service called PPP, or pointtopoint protocol. (See the list at the end of this section.) At this writing, most companies offer unlimited use for a flat fee often as little as \$20 to \$30 per month. Rates vary, and they're falling fast, so shop around.

Once you are connected, you can send and receive email, find and retrieve files and programs, explore the World Wide Web . . . and even set up your own Web site.

The World Wide Web is the most useful subset of the Internet for marketing purposes. You may have noticed that more and more national advertisements now include a World Wide Web address. These addresses are for home pages. A home page is like the front door to your home, which has several rooms and several levels. The home page address will get you in the front door, from which you can move around and explore other rooms. Your site may be found by users who search for key words, are directed to your page by links from other pages, or directly enter your location.

### **Setting up Your Own Web Site**

You use a programming language called HTML to create your Web site. That sounds intimidating, but CompuServe, Prodigy, and America Online(AOL) make it easy.

The services all offer members free space on their host computers to establish modest Web home pages. Once the site is created, it is assigned an Internet address, and can be accessed by all Web users, whether or not they are members of CompuServe, Prodigy, or AOL. All three services provide free software and guidance to help you get your home page online: on CompuServe, go to the Home Pages section of Web Central; on AOL, go to Personal Publisher; and on Prodigy go to Personal Web Pages. As you become more comfortable with the technology, you can change and upgrade the information as often as necessary without the upfront expenses of traditional media.

The Web sites you ll create using these free programs and services will include logos, text, and graphics, but they will be pretty basic. If you want to get fancier, you may want to buy commercial pagecreation software, or to hire the services of technical and/or marketing consultants.

A consultant s fee can range from \$50 to \$5,000 for design and creation, deployment, and the promotion for the Web site. (The promotion of your site is the most important component, and a consultant can help here, even if you set up the site yourself.) You can market and advertise your Web site on business cards and on any other printed material you use to promote your business.

Costs for the site will vary depending on your objective: to take orders, list prices, provide pointofsale information, gather customer information by having an online form, or include pictures of your product.

Using the Internet allows you to provide information in a way that it makes it convenient for people to do business with you. So get connected, do some exploring, and decide how online marketing can help you reach your goals. A couple of good sites to begin your explorations are CyberShop (<http://cybershop.com>), the world s first online department store, and the Internet Shopping Network (<http://www.internet.net>).