

2 FIRST CONSIDERATIONS



A small food manufacturer must consider a few items first before starting down the road to grocery sales.

WHERE DO YOU SHOP? Do you regularly shop at the store you're asking to carry your products? When you're in the store, do you seek out local products? If you're not shopping at the stores that carry local products and buying them, why would the store buy from you?

BUSINESS OR HOBBY? You must consider you and your business. Is this your full-time business, or are you making product "on the side" while still keeping a "day" job? For the sake of the reputation of local products among store owners, we suggest that you should pursue selling your product to more than a handful of grocery stores **ONLY** if this is your primary source of income. If you are part-time (i.e. NOT at least 8-5, Monday-Friday), then selling to a handful of grocery stores is possible, but pursuing warehouse, distribution, and non-local stores isn't likely to be successful.

BUSINESS LICENSES. To become for retailers an approved source (i.e. in legal terms, farmers are considered an approved source for food if they are in compliance with state food regulations), you must obtain the appropriate business registrations, licenses, and labels for manufacturing and wholesaling your products, including:



- ◆ Secretary of State Registration.
sos.mt.gov/Business/Forms/index.asp
- ◆ Wholesale Food Manufacturer License.
dphhs.mt.gov/PHSD/Food-consumer/documents/BecomingaFoodManufacturer.pdf
- ◆ Wholesale Product Label Approval.
dphhs.mt.gov/PHSD/Food-consumer/documents/ManufacturingandLabelingChecklist.pdf
 - » Label guidance is provided by the FDA at fda.gov/Food/GuidanceComplianceRegulatoryInformation/GuidanceDocuments/FoodLabelingNutrition/FoodLabelingGuide/default.htm.

TARGET CONSUMER. In preparing the product sales strategy, a more detailed description of the targeted consumer may be required. Ask yourself these questions²:

1. Who are your product's target consumer? Consider age, gender, income level, household spending, lifestyle, etc.
2. Why are they going to purchase your product? List the product's points of differentiation, such as: taste, ingredients, portion size, uniqueness, ease of use, healthy, local, etc.
3. What benefits are they looking for in a product that is similar or substitutable? Look on the packaging of your competitors in the store – what messages are they conveying to customers?

FINDING THE RIGHT RETAILER. To find the right retailer for your product, ask yourself these questions²:

1. Is the retailer's trade profile compatible with your product? If the average retail in a specific store for your type of product is \$4.99, and your target retail is \$5.99, then your product might not fit into the assortment.
2. Does the store carry your product category? Most retailers will not introduce a new product into their store unless they already have other products in that category.
3. Is there a gap or can a gap be created in the product assortment? The gap could be a missing flavor, price point, type of product, etc.
4. What product could your product replace in the assortment? Often the shelf is crowded, and in order to create a space for your product, an existing product must be removed.
5. Does your product complement the assortment? For example, if you're selling rhubarb jam, and the retailer has other jams but no rhubarb flavor, then your product complements the assortment by offering consumers a new choice in product.
6. Do the product benefits meet a consumer food trend? Do an internet search for the "top 10 food trends." Does your product meet any of those consumer "needs"?



7. Can the product increase profitability to the category? Retailers don't like to replace a product that is selling just fine with a new and unproven product. Prove to the retailer that your product will bring profitability back to the category.

STORE VISIT. Next, visit the aisle in which you think your product belongs and look at the breadth of similar products on the shelves.

1. Product comparison. If there are no similar products, then congratulations, you already have a leg up! Now ask yourself, "Why aren't there any other products like mine on the shelves?" Is it because your product is a new idea, or is it because there is no demand for your product in that market?
2. Product replacement. Consider what products yours will replace on the shelves. These products probably already have established sales records and customers. What benefit will the stores receive from displacing those proven products with yours? It could be increased sales, freshness, less waste, higher profit margin, etc. If you do not have any reason for your product to replace proven product on the shelves, how are you going to convince the store owner?

Viewing the shelf on which your product would be is great research for what your product needs to compete.



3. Price. How does the suggested retail price of your product compare with that of similar products on the shelves? If your item retails for significantly more than the other products on the shelves, that might be a red flag that your product is either priced too high or not meant for grocery sales. Keep in mind that while some consumers do look at price per serving, which may make your product more affordable, many do not spend the time to find or determine price per serving.
4. Packaging. How does the packaging of your product compare to that of similar products on the shelves? Is your package appropriately sized (i.e. does it fit into the average shelf space; including width, depth, and height; of similar products on the shelf)? Does your packaging look professional compared to that of products already on the shelves? If your answer to these questions is no, ask yourself if your product is ready for grocery store shelves.



IF YOUR PRODUCT WITHSTANDS THIS VISIT, then you're ready to continue on to the next steps.



IF NOT, THEN YOU NEED ASSISTANCE with getting your business and product ready for wholesale sales. There are two groups that can provide assistance free of charge:

- ◆ Montana Food & Agricultural Development Centers. agr.mt.gov/foodandag/default.asp
- ◆ Montana Small Business Development Centers. sbd.c.mt.gov/offices.mcpix