

have selected the kinds of packaging they prefer, along with their related costs. Consumers have expressed preferences for the quality and size of product that they want, as well as all of the various promotional techniques that are involved. Each consumer preference has a price tag and, in the end, consumers must pay for their choices.

BUSINESS PRACTICES

This section begins with an assessment: are you in business, or are you trying to make money off of your hobby? This is not to be confused with making money doing something you love; rather, it's assessing whether or not you plan to run your business in a business-like manner.

As you were asked in the beginning of this manual: 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.



Here are some common food industry business practices that you must consider.

BUSINESS HOURS. Most brokers, distributors, warehouses, and grocery stores expect that you are available to conduct business on a regular schedule, usually Monday-Friday, 8 a.m.-5 p.m. This can be done in your pajamas at home, or it can be done on the road with your cell phone and laptop, but to sell to grocery stores, you must be available during regular business hours.

TECHNICAL SKILLS. Do you have the computer programs required for doing business and the skills for running them, such as:



- » Word processing programs (e.g. Microsoft Word) for contracts, invoices, sales fliers, etc.
- » Accounting software (e.g. QuickBooks) for accounts receivable, accounts payable, etc.
- » Email software (e.g. Microsoft Outlook) for quick, inexpensive communication with stores
- » Website development software (e.g. Adobe Dreamweaver) for developing and updating your website (resources for those with limited skills, such as smallbusiness.yahoo.com/webhosting, are available)

If you don't have these skills, you can either take the time to learn them from local Adult Ed classes, online tutorials, etc., or you can hire out. Common skills that are "hired out" are for accounting and website development/management. The time you free up by hiring out for these tasks can be spent on marketing your product.

The most important message here is that whether you pay for experts or train yourself, your business must have access to these skills.

INSURANCE. In setting up any kind of business you will need to consider several types of insurance coverage, including⁸:

- » General business liability, including product liability insurance (\$1-2 million standard)
- » Interruption and specific time element coverage
- » Property/professional loss



Distributors and most grocery stores will require their suppliers to be covered and will specify the insurance certificate name them as an additional insured party. See the attachments, *Small Business Insurance* and *Product Liability Insurance Explained*, for more information.

INVOICE TERMS. These are the payment terms agreed upon by the seller and the buyer and listed on the Purchase Order. Typical grocery industry terms are Net 30, indicating that payment is due to the seller within 30 days of the origination of the purchase order. Often, sellers offer a cash discount for early payment, such as 2% 10, indicating that if the buyer pays the seller within 10 days of the origination of the purchase order (or after receipt of product), the seller discounts the total by 2%. Typically, independent grocers pay Net 30, while some larger chain stores will pay anywhere from Net 45 to Net 90, depending upon their size and buying power.



- » *NOTE:* This means that you must be able to “float” the inventory cost of sending out product and waiting 30 days to receive payment.

MARKETING

You will need to have a marketing plan ready when you approach distributors and stores, indicating that you have thought about and have the support in place for the entire delivery system. The following are the considerations for your plan.

BROKERS. Your first consideration is whether or not to hire a broker as part of your marketing plan. Distributors and grocery stores look favorably upon the use of brokers because of the convenience of working with an established relationship that provides access to multiple product lines in one visit. However, there is a cost associated with hiring a broker, so you should weigh the benefits carefully against your bottom line.

The food industry defines a broker as an independent organization functioning as a sales representative for multiple growers and food manufacturers, usually rewarded by a commission against sales. Brokers are sometimes also called manufacturer’s representatives.



Some of the advantages of appointing a broker are¹:

- » Knowledge of the local market conditions.
- » Existing professional relationships with the grocery stores.