KEY SUCCESS FACTOR – ORDER FULFILLMENT TIME. If you want to sell your product through a warehouse and distribution system, the product must be in warehouse two weeks or less from the purchase order date. This means that you must have an inventory of your product ready for large quantities of sales, or you must be able to produce your product quickly in order to supply pallet-sized orders on time. You must factor in transit time from you to the warehouse, too, which can be significant in Montana[7].

EXPECTED SALES VOLUME. What is your expected sales volume? Do you have any current sales data that you could provide to prove that your product is in demand and moving off of shelves? If you're a new company, then you likely don't have this data, so educated guess estimates based on industry data could be acceptable. You might even consider working with your hometown grocery stores for a while to generate sales data useful for introduction into larger markets.

NEW-TO-MARKET PRODUCTS. If it's a new product that isn't yet available in stores (i.e. no direct competition), then you have an opportunity or a challenge.

- Opportunity. There are no other products that the store owner has to replace with yours. If your product is in demand and short supply, then your product should sail through the approval process.
- Challenge. If your product is so new that people don't know they need it yet, then you may experience a challenge getting it through the process. Educating consumers about new products and their uses is a difficult and expensive challenge that many stores cannot and do not take on.

PACKAGING

There isn't any easily summarized information on packaging standards, so a great first step is direct research. Stand in the aisle, observe products in your category, and see how yours compares. The way your product is packaged could be a benefit or a detriment to your grocery store readiness.

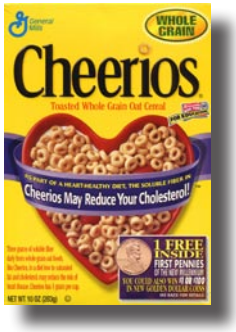
There are two considerations when it comes to packaging: unit and case packaging.

UNIT PACKAGING CONSIDERATIONS. Unit packaging refers to the individual packages in which your product is sold, such as a jar of jam.

- Packaging material. This is an important factor in a store owner and consumer's choice.
  - What material is used for packaging similar products? Is it in a box, a clear bag, a jar, etc.? If the packaging materials differ, how does that correlate with the price?

  - If your products are packaged differently, will store owners or consumers see that as a benefit or a detriment? For example, if your organic yogurt is packaged in a non-recyclable container, will your customers see that as a deterrent to buying your product? Or if your product is more expensive but your package provides twice as much product as the on-shelf competition, will your customers take the time to compare the price per serving, rather than the overall price listed on the shelf?
  - Does the packaging appear to be made by a professional? As long as it appears professional, it matters not whether you made the packaging yourself or designed and printed your own labels. This is a tricky area, though, so be honest with yourself. If you started out selling in gift stores, often the packaging and labels that are acceptable in gift stores don't translate to grocery stores. If it doesn't look professional, you will need to look at your profit margin and see if there is room for additional printing costs. You might be surprised; when you factor in your time, ink cartridges, paper, your mistakes, etc., you might find that professional printing is cheaper.

- Marketing messages. What messages stand out on the package? Does the packaging claim to be eco-friendly? Is the product marketed as "heart healthy" or "part of a balanced diet," etc.? Consider these messages for your product.
  - Please note: for health claims on a product, you must be very careful to follow the regulations.



    Visit *fda.gov/Food/GuidanceComplianceRegulatoryInformation/GuidanceDocuments/FoodLabelingNutrition/FoodLabelingGuide/ucm064908.htm#health for more information*.

- Certifications. If your product is certified organic, Kosher, or gluten free, be sure to include the appropriate label claims for each.

USDA ORGANIC

Certified GF™ Gluten-Free

- Stand out. Would your product "stand out" on the shelves? Calling attention to your product could be done by the label or the packaging.
  - One addition to your label to make it stand out is to add the Made in Montana, Grown in Montana, or Native American Made logo.

    You can buy the stickers to apply to your label, or you can get a free electronic copy of the label and have it printed directly on your label. Visit *madeinmontanausa.com/Signup.asp* for more information.

  - Consider packaging that is different than the competition but still applicable. For example, in order to call attention to their product in a sea of similar products, Scope launched a new package.

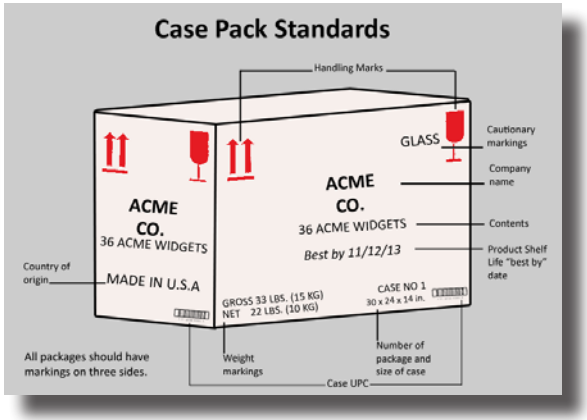
  - Does your product merchandise right? Your product must sit on the shelf so that its "face" will be easily visible to the consumer. If your product is a small box, is it supposed to stack?

If your product is in bags, how will those bags sit upright?

Are there creative ways to merchandise your product that will draw attention to it or make life easier for the store owner?

CASE PACKAGING. Case packaging refers to how your product is bundled into multi-unit shippers (i.e. shipping a case of 24 products).

- Standards. The case packaging (or "master pack") does not have to be fancy with slick graphics; however, it must convey important information (see below Case Pack Standards)[7]:



- » Case UPC (see Key Success Factor – Unit & Case UPCs)
- » Product shelf life (with the "best by" clearly marked)
- » Handling instructions (e.g. fragile, this end up, etc.; see Pictorial Markings for Handling of Goods)

- ♦ Pre-printed vs Label. When it comes to the information conveyed on your master packaging, you have two choices: use pre-printed boxes or applied labels.
  - » Pre-printed master pack boxes are widely used in the food industry but are not necessary for success in distribution warehouses.
  - » Labels that can be printed and applied on plain, uniform master pack boxes are likely the best choice for small growers and food manufacturers. This allows the flexibility to change information when necessary. It also means that you can buy one size of box for all of your unit flavors and sizes, rather than smaller lots of pre-printed boxes, providing cost savings.

The label affixed to this pre-printed box was placed by the warehouse for their internal inventory purposes..

Note that this label still contains the standard case pack information..

Example of eye-catching, but unnecessary case packaging.

KEY SUCCESS FACTOR – UNIT & CASE UPCS. To be successful selling through the warehouse and distribution system, and even for most grocery stores individually, your products must have both unit and case UPCs[7].

- Unit UPCs. UPCs are often known as "barcodes." This helps warehouses, distributors, and stores track their inventory more efficiently and saves both them and consumers time at the cash register. For retail units, a 13 digit UPC is required[7].

  - To learn how to get a unit UPC, see the attachment, *UPC Barcode Basics*, provided by the Montana Department of Commerce.
  - To learn about the latest advances in tracking technology, check out the attachment *Supply Chain Basics: Technology – How Much, How Soon*.
  - One of the Montana Department of Agriculture's Food & Agricultural Development Centers, the Mission Mountain Food Enterprise Center in Ronan can help procure UPCs. Contact Karl Sutton for more information: 406-676-5901, *ksutton@ronan.net*.

Montana companies are already using UPCs.

- Case UPCs. Case UPCs are not as well known or as widely used by small growers and food manufacturers, but they are a key success factor when considering marketing through a warehouse and distribution system. Case UPCs are used to mark cartons, cases, or pallets that contain products in order to take inventory or tally shipments quickly and accurately. For cases, a 10 digit UPC is required. Refer to the attachment, *Case UPCs*, for more information. Remember, Case UPCs do not have to be pre-printed on the box; you can print them on labels and attach them to the Case packaging when preparing for shipping.

The UPC on the bottom is a Case UPC.

KEY SUCCESS FACTOR – UNIFORM PACKAGING. Uniformity is key when considering warehousing and distribution[7].

- Uniform unit packaging. Go to the grocery store with a tape measure in hand and take note of the average shelf space for the category including width, depth, and height. Your packaging should be similar. The packaging should be uniform and consistent, too, and able to withstand normal wear from shipping and merchandising. It must also fit uniformly into case packaging, the next consideration.

- Uniform case packaging. For shipping cases directly to stores, uniformity is not as important, though the information conveyed on the case packaging must be consistent with standards (see *Case Pack Standards graphic on pg. 10*). However, for warehousing and distribution, uniformity of case dimensions is required in order for your product to fit properly on the warehouse shelves and ship properly in the distributors' trucks. From these pictures of a distribution warehouse (below), you can see why uniform packaging is important.

Product is "palletized" uniformly for traveling hundreds of miles in the distributor's trucks.

Forklifts unload the palletized products for staging in the warehouse. Non-palletized products mean more labor costs for warehouses.

Palletized product is stored on shelves awaiting the store orders.

Stores order product per case, not per individual retail package.

Product cases are "pulled" off the shelf and combined into "palletized" orders for the stores.

CASE PACK CONSIDERATIONS.

Small growers and food manufacturers have options to consider, in order to be more competitive for store shelf space:

- Master packs with inner-packs. Master packs are the full cases of your product (often 12 or 24). For more expensive per unit cost items, such as those that most small growers and food manufacturers offer, a case is an expensive "investment" for small, independent grocers. A case of 12 products that individually wholesale at $5 would cost the grocer $60. If you were to offer a master pack of 12 with two inner-packs of six units to the warehouse (they float the $60 cost), the cost to the grocer would only be $30, which is more palatable for small grocers. This also increases the odds that the entire "case" would get put out on the shelf and only need one shelf-facing, also attractive attributes to a small grocer[7].

An option for packaging the inner-pack is to shrink-wrap the units, as indicated above. The simplest method of achieving this inner-pack is to buy "shrinkwrap bands," and apply with a heat gun. More expensive automatic shrinkwrap band machinery is available, as your needs increase.

- Mixed cases. If you offer a product line of 12 flavors or sizes, it would be very difficult to get grocery stores to buy a case each of all 12. This would result in a large "investment" in your product, and it would also require the displacement of 12 products on the grocery shelves. For your introduction into stores, consider starting with offering only your top three selling flavors in mixed cases. If your case "master" pack is 12 boxes, then you could offer a case of four boxes of your three best-selling flavors[7].

A mixed case that will fit 2 boxes each of 3 flavors.

- Shelf shipper-display. These reduce material and inventory costs while making sure that your product gets the visibility it deserves. Shelf shipper-displays take the guesswork out of retail merchandising. Reducing labor costs, retailers simply remove the lid and place it on the shelf. You must ensure, however, that this display shipper fits within the shelf dimensions.

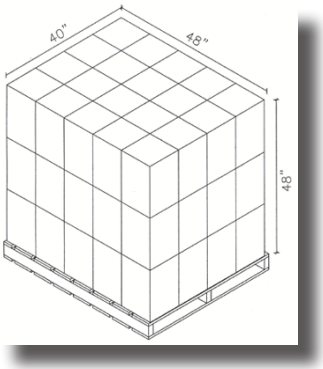
Example of a shelf shipper-display.

- POP display shipper. Point of purchase (POP) displays provide the consumer with a preferred location to purchase while also stimulating them to buy your product. Retailers love POP displays almost as much as manufacturers, because they are a proven way to help sell product and optimize sales space.

Example of a POP display shipper.

- Breaking cases. Many retailers will ask you to "break cases" (i.e. sell product in less than case lots). Breaking a case is costly, but it can be an important tool for building distribution in smaller retailers. Remember that every time a product is touched, either a case or a single unit, there is a cost – typically $0.35-$0.50 every time a case or product is touched[2].

- Pallet configurations. In order to sell in pallet volumes, you must also know your pallet configuration, i.e. the way you stack your master packs on pallets for maximum storage efficiency and transport stability.



A drawing of a pallet configuration.