ATTENTION:

This presentation is meant to be used as a training tool for food producers, food marketers and food buyers.

If you decide to give a MarketReady presentation and want more information, the Ohio Direct Marketing Team and UK faculty are glad to work with you.

Please contact:

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Materials modified for Ohio by Julie Fox, fox.264@osu.edu, and the Ohio Direct Marketing Team, with permission from Timothy A. Woods.
Selling Directly to Wholesale Buyers
Introduction for OPGMA

Ohio MarketReady Series: Jan. 18, 2012

The Ohio Direct Marketing Team
Selling ‘Local Food’ Directly to Wholesale Buyers

- Restaurants, Chefs, Caterers
- Grocery Stores
- Specialty Retailers
- School, Hospitals, Institutions
- Corporate Cafeterias/Food Service
- Food Manufacturers
- Other Wholesale Buyers
**Materials:**

**Response Cards (Clickers)**

- To respond, click and hold down the button of your choice (you will see a green light)

- Please return clicker at the end of the session with your evaluation form.
We Sell...

1. directly to **consumers**
2. directly to **wholesale buyers**
3. to **both** consumers and wholesale buyers
Direct Marketing Nationally

Agricultural Resource Management Survey

- [www.ers.usda.gov/AmberWaves/December11/Features/LocalFoodMarketing.htm](www.ers.usda.gov/AmberWaves/December11/Features/LocalFoodMarketing.htm)
Selling to Restaurants

1. Not interested
2. Considering for 2012
3. Currently selling and satisfied
4. Currently selling and plan to expand
5. Other
Selling to Grocery Stores

1. Not interested
2. Considering for 2012
3. Currently selling and satisfied
4. Currently selling and plan to expand
5. Other
Selling to Schools

1. Not interested
2. Considering for 2012
3. Currently selling and satisfied
4. Currently selling and plan to expand
5. Other
Marketing “Combination”

Marketing is not only much broader than selling, it is the whole business seen from the customer’s point of view.

Peter Drucker
People – Product – Place – Promotion – Plan & Process

- Customers: can you think like them?
- My business goals/capabilities

- People
- Product
- Place
- Promotion
- Plan & Process
Thinking like a buyer…

• to be able to reach producers directly for their product needs just as easily as they would reach wholesalers.

• producers to understand how a restaurant, grocery store or school dining service operates.

• producers to be acquainted with the ‘types’ of food their customers prefer.

• you to understand their customers and how you can provide them with a remarkable product & experience.
• Importance of Supermarket Features
  – Offers locally grown produce and other local packaged foods
    – Very Important 45%
    – Somewhat important 41%
    – Not Too Important 10%
    – Not At All Important 4%

Hottest Restaurant Menus Trends in 2012 Include Locally Sourced Ingredients

Think Like a Customer

Restaurant - Grocery - School/Institution - Other

- 1 Locally sourced meats and seafood
- 2 Locally grown produce
- 4 Hyper-local sourcing (restaurant gardens)
- 8 Locally-produced wine and beer
- 12 Farm/estate-branded ingredients
- 14 Micro-distilled/artisan spirits
- 15 Artisan/house-made ice cream
- Other ingredients: artisan bacon & cheese
Think Like a Customer

Restaurant - Grocery - School/Institution - Other

Produce Marketing Association, State of the Industry

Youth Market Social Media

www.pma.com

State of the Industry

People – Product – Place – Promotion – Plan
2012 Food Industry Outlook: A Taste of Things To Come

"Pure" is the New Natural.

Location, Location, Location. Interest in where their foods are coming from has never been higher among consumers.

www.foodprocessing.com/articles/2012/food-industry-outlook.html
• 181,174,029 lunches and 62,608,913 breakfasts were served in Ohio schools in 2010
  – Schools spent over $70 million on fruit and vegetables

• If we purchased 25% from local Ohio farmers in 2010, $17,674,263 would have gone into our local economy
  □ Most schools highlight their local growers on school lunch menus and newsletters sent home to parents. This information is dispersed to many parents and teachers who may also be interested in buying your products.
Activity

- **Identify** your top 2-4 trend sources
- **Evaluate**
  - Trend Source
  - Confirming evidence *
- **Plan**
  - Translate for your situation
- **Implement**
  - Test
Think Like a Direct Marketer

Restaurant - Grocery - School/Institution - Other

- **People**
  - Customers: can you think like them?
  - **My business goals/capabilities**

- Product
- Place
- Promotion
- Plan & Process

People – Product – Place – Promotion – Plan
• Business Assessment: Are restaurants a good market choice?

Selling to Restaurants
Prepared by Mary Peabody, UVM Extension

Business Assessment: Are restaurants a good market choice?

Instructions: Circle the response that best fits your level of agreement with each of the statements below.
Scoring: 5 = Completely agree; 4 = Somewhat agree; 3 = Agree; 2 = Slightly disagree; 1 = Strongly disagree

1 I have several years of production experience.
5 4 3 2 1

2 I have an interest in extending my growing season to get products to market earlier and continue growing later than usual.
5 4 3 2 1

3 I enjoy experimenting with unfamiliar crops and trying new things.
5 4 3 2 1

4 I consider myself a diversified operation growing a number of different items over the growing season.
5 4 3 2 1

• [www.uvm.edu/newfarmer/marketing/marketing_resources/restaurant_assessment.pdf](http://www.uvm.edu/newfarmer/marketing/marketing_resources/restaurant_assessment.pdf)
• People
• **Product**
  – Product selection and supply
  – Packaging & Labeling
  – Pricing, Invoicing & Payments
• Place
• Promotion
• Plan & Process
Product Selection & Supply

Restaurant - Grocery - School/Institution - Other

Product Selection and Supply

- What products/services do you offer?
- Quality, Attributes & Quantity
- Product depth or breadth
- Timing
- Specialized vs. commoditized
- Experience vs. product
• Consistent volume/availability of product is often cited by chefs as barrier to purchasing locally

• Producers should recognize restaurant markets have different volume needs
  – Chains
  – Independents
  – Caterers
  – Institution

People – Product – Place – Promotion – Plan
What are local purchasing barriers for chefs?

1. Consistent Availability
2. Consistent Quality
3. Timing & reliability of Deliveries
4. Pricing
5. Other
Product Selection & Supply

Restaurant - Grocery - School/Institution - Other

% Responding

- Consistent availability of product: 52%
- Consistent quality of product: 33%
- Timing and reliability of deliveries: 24%
- Competitive pricing: 14%
- Locating local producers to source product from: 10%
- Lack of proper invoicing: 5%

People – Product – Place – Promotion – Plan

Wholesale
Product Selection & Supply

Restaurant - Grocery - School/Institution - Other

- Communicate about product selection & supply
- Pre-season planning
  - Chefs sitting down with all growers and their seed catalogs before the season begins
- Regular updates on current & upcoming product availability
  - Email blasts
  - Phone calls
  - Personal appointments (whatever the buyer prefers)
- Communicate about availability

People – Product – Place – Promotion – Plan
This Spud’s for You – 2012 will be the year of the potato! Watch out for French Fry Menus that let guests choose the cut, crispness, and sauce; make-your-own mashers with mix-ins; or custom cut chips with dusts and dips to order. Everyone’s chipping in.

Product Packaging
Restaurant - Grocery - School/Institution - Other

- Protection, Function
- Education, Regulation...
- Wholesalers and grocers look for conventional boxes
- Sanitation and durability are important
- Looking for traceability and function for packages down the road
- Prefer ‘farm identification’ labels/packaging

People – Product – Place – Promotion – Plan
Product Packaging

Restaurant - Grocery - School/Institution - Other

- Cardboard boxes are the produce package of choice for restaurants
- Packaging depends on the product
- Do not ‘over’ package
- “I don’t need mesculin mix in a plastic bag and a cardboard box.”
Product Packaging

Restaurant - Grocery - School/Institution - Other

- Packaging, Labeling, Processing, Safety. OSU Food Industries Center
  http://foodindustries.osu.edu/useful-links

- See www.thepacker.com:
  www.producemarketguide.com/theguide/asuppliers.asp (select packaging materials)

- Center for Innovative Food Technology (CIFT), www.eisc.org/links.php

People – Product – Place – Promotion – Plan
Product Labeling
Restaurant - Grocery - School/Institution - Other

• The Food Institute
  http://www.foodinstitute.com
  – Labeling Requirements
  – Nutrition
  – Identity
  – Ingredients
  – Content Claims

• Local

People – Product – Place – Promotion – Plan
• Quality of the long term relationship is about delivering value to the restaurant.
• Be careful not to price yourself out of the market.

  – “I can’t afford to serve an $8-10 ‘local’ salad. It won’t sell.” Can you calculate the cost of the ingredients in a salad + their labor to prepare, their overhead to serve, their marketing expense to attract customers, …

• Keep in mind why the restaurant would continue to regard you as a “preferred supplier”.

Pricing
Restaurant - Grocery - School/Institution - Other

People – Product – Place – Promotion – Plan
Pricing

Restaurant - Grocery - School/Institution - Other

• Consider developing a weekly price list
  (Describe the product too!)
  – Pre-season template for easy edits
  – E-mail or web-based delivery to buyers (Use easy order form template)

• Chefs want to see clear, fair pricing, reference prices

People – Product – Place – Promotion – Plan
How is the target margin determined by the retailer?

- spoilage – higher likelihood of loss means higher margin required to cover losses.
- theft or unaccounted loss of inventory
- unsold inventory
- seasonality, demand, availability in other stores
- special promotions

Typical grocery produce margins run 33-50% and are variable across items.
Invoicing & Payments

Restaurant - Grocery - School/Institution - Other

- Invoices are required by most chefs
- Few chefs pay cash at the kitchen door
- Requirements for invoice
  - Contact Information: Name, address, phone number, email/Internet contact
  - Product Description
  - How much product (weight or count)
  - How much product cost
  - Transaction Date and Invoice #

People – Product – Place – Promotion – Plan
“Inherently, you cannot trust chefs and restaurants to keep track of anything.”

--Chef Will Gilson, Garden at the Cellar Cambridge, Massachusetts

- Keep duplicates of your invoices so you know how much has been purchased—and how much you are owed.

- Provide sales receipts for when you get paid.
Smith Farm, LLC
2471 Farmville Rd  Prosperity, KY 00021
875-462-1234 office
875-222-1234 cell phone, Ralph
875-222-1233 cell phone, Sam

Bill of Lading    # 703

Buyer: John Brown
Address XYZ Co.  Louisville
Phone 800-222-1234
Shipping Date 8-1-09
Delivery Time before 10 AM
Delivery Date 8-2-09
Ship to (Name): XYZ Store #4
Address 72 Home Court
Louisville, KY 40231
Phone 1-606-777-1234

P.O. # 7926

<table>
<thead>
<tr>
<th>Item / ID #</th>
<th>Unit</th>
<th>Price per Unit</th>
<th>Total per Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>½ bu. Squash</td>
<td>150 bu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slicer Cucumber</td>
<td>50 bu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Bell Pepper</td>
<td>100 bu</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total

Trucking Co. Rapid Trucking Co.
Trailer Tag # KY 1743
Produce temperature 38°F
Temperature to be maintained at 38°F
Drivers Signature J. Miller

Receiver (Company)__________________________
Signature__________________________
Time & Date__________________________
• **Informal Bids:**
  - Contracts less than $100,000
  - Schools must obtain quotes from at least 3 farmers or vendors (of their choice -- all may be local), and are required to select the vendor offering the lowest cost.

• **Formal Bids**
  - Contracts over than $100,000
    - Line item (used more often in schools) or Lump sum
  - The National School Lunch Program allows schools to apply a geographic preference in formal bids.
  - Schools interested in purchasing local foods can give preference points to local bids. While price may earn the majority of points, other bid categories like variety availability, freshness, and delivery schedule may be nearly as important.

• **See: sample bid sheet with scoring**
When it comes to pricing…

1. I feel 100% confident in my pricing strategy
2. I am OK with my pricing, but I continually reassess
3. I am struggling to figure out profitable pricing
MarketReady
Restaurant - Grocery - School/Institution - Other

- People
- Product
- **Place**
  - Delivery
  - Storage
- Promotion
- Plan & Process
Distribution

Restaurant - Grocery - School/Institution - Other

• Producers should determine best times for delivery to specific restaurants

• Typical delivery times:
  – Before lunch preparation in morning (9-10 am)
  – Between lunch and dinner (3-4 pm)
Distribution Options

Restaurant - Grocery - School/Institution - Other

• Own delivery direct-to-buyer
• Shared delivery with other producers
• Pre-arranged pick up points
• 3rd Party delivery company
• Wholesaler or distributor working with restaurants
• Each system has own benefits and costs
“I’m really glad the truck is coming through regularly now. The fresher the product, the better.”

Chef/Owner Billy McCullough
Dragonfly
Truckee, CA
• **Direct Marketing**: School food service directors can buy directly from individual farmers.
  - Advantages:
    • No middle man, keeps costs down.
    • Schools that have a direct relationship with a farmer may request specific items if they are needed, and may even request that a farmer plant specific items for them.
  - Disadvantages:
    • Administration costs of direct marketing can get high when schools buy from more than one farmer, so schools may prefer other methods of procurement.

• **Cooperative**: Many farmers may pool their products or resources to form a cooperative.

• **Wholesaler**: Many wholesalers distribute local produce!

• **DoD Fresh**
MarketReady
Restaurant - Grocery - School/Institution - Other

- People
- Product
- Place
- **Promotion**
  - Marketing
  - Connecting through Ohio MarketMaker
  - Communication & Relationship Building

- Plan & Process
Marketing Strategies & Tactics

Restaurant - Grocery - School/Institution - Other

- Sales & Marketing to wholesale buyers
- Marketing with wholesale customers
Social Media Marketing

Restaurant - Grocery - School/Institution - Other

You’re already ‘there’ -
What are people saying?
googel alerts & social mention

Blogs
Twitter
Social Networking - Facebook, ...
Sharing Photos & Videos - YouTube, Flickr
Mobile media

People – Product – Place – Promotion – Plan
Marketing Strategies & Tactics
Restaurant - Grocery - School/Institution - Other

• OhioMarketMaker.com
  – Free, easy-to-use web-based resource
  – Allows users (producers & buyers) to update individual data & search all data.
  – Maps potential markets.
  – Maps and provides profiles of food related businesses, including producers, processors, retailers, farmers’ markets, wineries and more…

People – Product – Place – Promotion – Plan
Marketing Strategies & Tactics

Restaurant - Grocery - School/Institution - Other

• Market Info.
• Free Profile Reg.
• Find Contacts
• Buy/Sell Forum
• Business Spotlight
• Taste of Ohio

• Mobile Web App under development
• Tutorials online

People – Product – Place – Promotion – Plan
Promotion: Ohio MarketMaker

Easy to Learn Tutorials

<table>
<thead>
<tr>
<th>Ohio MarketMaker Tutorials</th>
<th>Online with Voice</th>
<th>PDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registering as a Producer</td>
<td></td>
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<tr>
<td>Requesting a User Name and Password</td>
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<tr>
<td>Changing Your Password</td>
<td></td>
<td></td>
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<tr>
<td>Changing Your User Name</td>
<td></td>
<td></td>
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<tr>
<td>Finding a Business for My Product</td>
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<tr>
<td>Making Connections for Producers</td>
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</tr>
<tr>
<td>Using the MarketPlace Buy/Sell Forum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placing a MarketPlace Ad to Buy a Product</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placing a MarketPlace Ad to Sell a Product</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Registration

Congratulations on deciding to register your food retail business on Ohio MarketMaker. This step by step guide will make it easy for you to get registered to start using all of the features that will simplify the process of finding food products locally.

Go to [www.ohiomarkettaker.com](http://www.ohiomarkettaker.com) and let's get started.

- [http://directmarketing.osu.edu/content/mm_producers.htm](http://directmarketing.osu.edu/content/mm_producers.htm)
Marketing Strategies & Tactics

Restaurant - Grocery - School/Institution - Other

- Some interview quotes about communication:
  - “Give us a phone call, (expletive)!”
  - “Keep me posted as to what’s happening. I need two weeks notice of any changes”
  - “Communicate 2-3 times per week during produce season”
  - “I need four days notice to re-supply elsewhere if farmers won’t have the product”.”

People – Product – Place – Promotion – Plan

Wholesale
Barcelona Restaurant & Bar
263 East Whittier Street
German Village
Columbus, OH 43206
tel: 614-443-3699
e-mail: info@barcelonacolumbus.com
Chef’s Diary:
facebook: Barcelona-Restaurant
twitter: twitter.com/TheLona
gps coordinates: N39° 56.6668 W082° 59.3959
MarketReady
Restaurant - Grocery - School/Institution - Other

- People
- Product
- Place
- Promotion

**Plan & Process**
- Insurance
- Temperature Control, Quality Assurance, Regulations, Certifications, Audits
- Working Cooperatively
- Management & financial capacity
- Your marketing & business plan
Interviewed chefs said they usually assume a producer has product liability insurance or trust the integrity of the local product.

“We require our growers to carry $1 million in liability insurance. That costs the grower about $200 per year.”

“I do ask about insurance—but I’m a small restaurant, so it’s not as big a concern.”

“With fresh produce, I can inspect it for freshness and quality….but with meat and other products, I can’t trust myself to be sure.”
Smaller grocers and wholesalers tend to have minimal coverage requirements: mostly $1 million umbrella, some $2 million.

Larger retailers can require as much as $5m in coverage.

Communicate your business activities with your insurance provider.
Quality Control

Restaurant - Grocery - School/Institution - Other

- Proper temperature control and postharvest handling helps maintain and guarantee product quality
- “I know that when I get local mesculin mix, it’s going to last so much longer in the cooler.”
  - Chef Andre Poirot, Executive Chef, Peabody Little Rock, speaking to culinary professionals in Little Rock
Working Cooperatively

Restaurant - Grocery - School/Institution - Other

- Ohio Cooperative Development Center, http://ocdc.osu.edu
- Organizations, http://www.opgma.org
- http://www.oeffa.org
- http://ourohio.org
- Businesses, (Grasshoppers)
Management

I keep accurate and current business records for production practices, personnel, finances, etc.

I have the employees, consultants, advisors and volunteers needed to accomplish my business goals.

As my business grows, I develop and update an employee manual to document policies and procedures.

I understand my cost of doing business.

I have developed revenue and cash flow projections based on solid financial assumptions.

I have a current balance sheet, profit and loss statements or other financial records.
Marketing & Business Plan

Farm Market - Farmers’ Market - CSA - AgriTourism

• Business Plan
  – Marketing
    • People
    • Product
    • Place / Distribution
    • Promotion
  – Management
    • Human & Other Resources
    • Risks & Regulations,…
  – Money
    • Overall, Cash Flow, Records

People – Product – Place – Promotion – Plan
Are You MarketReady?  
Bring it all Together  
Your Plan … Marketing Audit
What is your **largest** challenge to selling wholesale?

1. Product Supply
2. Pricing
3. Distribution
4. Sales & Marketing
5. Buyer Requirements
6. Other
MarketReady Resources
Farm Market - Farmers’ Market - CSA - AgriTourism

Resources for Producers & Community Leaders

- CSA Information from USDA - National Agriculture Library
- Local Harvest: A Multifarm CSA Handbook - The 125-page book from SARE (Sustainable Agriculture Research and Education) details how farmers can use CSA cooperatives to best market their produce.
- Community Supported Agriculture - Fact sheet from University of Kentucky Cooperative Extension.
- Producer & Member Surveys - AgMRC (Agricultural Marketing Resource Center)
- CSA information from ATTRA - National Sustainable Agriculture Information Service
- CSA information from SARE - Sustainable Agriculture Research and Education
- Reference List - Michigan State University Extension (2001)
- Robyn Van En Center CSA Farm Database - Wilson College
- Research Brief - Results from Iowa’s Collaborative CSA Member Survey
- Community Supported Agriculture - CommUnity of Minds

Overview of Direct Marketing in Ohio
Business Resources
Topics of Interest
Tools for Community Leaders
Calendar (Education Opportunities)
References for Educators & Researchers
Back to Home
Resources

Farm Market - Farmers’ Market - CSA - AgriTourism

• Social Media Webinar Series
  • http://directmarketing.osu.edu/content/news.htm

• Specialized & In-depth workshops
  • http://directmarketing.osu.edu/content/calendar.htm

• MarketReady Full-day Workshops
• Meet the Buyers Summits
Market Ready Resources

- Workshops
- Checklists: Best Marketing Practices
- Resources: [www.uky.edu/fsic/marketready](http://www.uky.edu/fsic/marketready)
  [http://directmarketing.osu.edu/content/marketready.htm](http://directmarketing.osu.edu/content/marketready.htm)
Resources

• Scaling-up Connections between Regional Ohio Specialty Crop Producers and Local Markets: Distribution as the Missing Link
  http://cffpi.osu.edu/distribution.htm

• Ohio’s Specialty Crops, A Boost to Food Service Menus
  www.oardc.ohio-state.edu/amp/pageview1.asp?id=2976
Ohio Farm to School
http://farmtoschool.osu.edu

• Resources

Are You Market Ready?
Bring it all Together

- Your Plan
- Workshop Evaluation
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http://directmarketing.osu.edu

Julie Moose
moose.14@osu.edu
(ext. 223)
Our business plan is…

1. Has not been discussed
2. Discussed, but not written
3. Partially figured out and shared with others
4. Written & reviewed at least once a year