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Marketing Considerations for Small-Scale Specialty Food Producers

Fact Sheets for the
Small Scale Food Entrepreneur

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The National Association for the Specialty Food Trade has adopted the following description of specialty foods:

Specialty food products ...shall mean: foods, beverages, or confections meant for human use that are of the highest grade, style and/or quality in their category. Their specialty nature derives from a combination of some or all of the following qualities: uniqueness, exotic origin, particular processing design, limited supply, unusual application or extraordinary packaging or channel of distribution... the common denominator of which is their unusually high quality..

Small-scale specialty food processors face unique challenges and opportunities when marketing their products. If the venture is to be successful, the processor must decide what market the product will thrive in, what the competition is, and how to market the product given the processor's available resources. A marketing plan facilitates business success by requiring the processor to address each of these marketing issues through marketing goals and strategies. The research necessary for marketing plan development also prevents entry into an unprofitable business venture.

The Marketing Plan is an integral part of the Business Plan. Through the marketing plan, the food entrepreneur identifies marketing goals which will lead to success for the business. These goals should meet the following "SMART" criteria:

- **Specific** – for example, earn \$30,000 in net sales
- **Measurable** - target date for completion
- **Attainable** – not so high that you cannot reach them
- **Rewarding** – they reflect the reasons you started the business in the first place
- **Timeline** – they should include short term and long term goals

Once goals have been defined, the food entrepreneur must research the existing market place and competition (market & competitive analysis). In addition, the food entrepreneur must test-market the product and evaluate the results. This test will indicate how and if the marketing goals can be reached, given the entrepreneur's available resources. Analysis of test marketing also provides a basis for a marketing strategy for the product.

As part of the market strategy, the food processor must pursue venues for product introduction to the market place. One of the most cost-effective methods is through direct marketing at local farm stands, farmers markets, and festivals. The product's reception at these outlets is a good indication of how the product will be received in the larger market place. An added benefit comes from meeting customers face-to-face, providing an opportunity to determine customer preferences and get a sense of the reasons people buy a product. This information can give food entrepreneurs new marketing ideas or revise existing ones.

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Even the most established producers try out new ideas and products at local farm stands and farm markets. This is a good time to study the competition, identify trends in local and regional specialty food items, market size, and pricing. Further information on gourmet and specialty food availability and pricing can be found on the web (on-line) by searching for the product type in your favorite search engine. In addition, summer sales to vacationers can result in a following for a product, which can be accessed through mail order.

The marketing strategy for a product must be reevaluated and revised whenever changes in the business, the market, or the product occur. For example, as the business expands, the entrepreneur may decide to hire a co-packer to handle the manufacturing. The entrepreneur may also decide to hand over product distribution to a distributor. This distributor sells to retailers and other distributors, developing new markets for the product. The above changes in the business will effect product price, the product's position in the market, and the amount of profit the entrepreneur receives from each unit sold. Since the product's market attributes have changed, a new market strategy is necessary.

As the business grows, you will need to research national markets for wider distribution. Attending trade shows for specialty foods will broaden your view of the specialty food business and market in such areas as the gift trade, health food stores, ethnic foods, and the export market. As you expand your marketing views, your marketing plan must expand to include them.

Resources for Specialty Food Marketing:

Growing Your Own Specialty Food Business, a publication of The New York State Small Business Development Center at Ulster Community College, 651 Ulster Avenue, Kingston, NY

From Kitchen to Market, Selling Your Gourmet Food Specialty, 2nd Edition by Stephen F. Hall
Upstart Publishing Company, Inc. Dover, New Hampshire

Developing a Strategic Marketing Plan for Horticultural Firms by Gerald B. White and Wen-fei L. Uva, Department of Agricultural, Resources and Managerial Economics, College of Agricultural and Life Sciences, Cornell University, Ithaca, NY.

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