

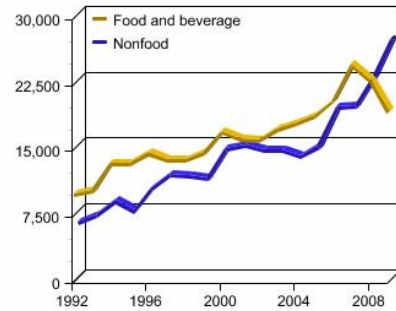
*"Supporting Successful and Sustainable Economic Development through Agricultural Research and Extension"*



**Kent Wolfe, Director  
Center for Agribusiness  
and Economic  
Development**

[www.caed.uga.edu](http://www.caed.uga.edu)

**New product introductions of consumer packaged goods, 1992-2009**



## Issues to Consider

- USDA estimates that at least two out of every three new food products introduced into the market fail due to lack of customer appeal.
- Only one in five new businesses succeeds for more than five years.
- The average time spent on developing new food products is about two years.
- Product development includes product repositioning, line extension, and reformulating existing products.

Source: "A Guide to Designing Treatments and Spill of Organic Matter Encountered in an Aquatic System" (1992). The number of products introduced, for instance, some manufacturers are reducing their product lines.

**Table 3: New food and beverage product introductions, 1992-2009**

Type of product	Year			
	1992	1997	2004	2009
New products	20,228	24,228	23,398	28,047
<b>Percent of total</b>				
Soft, gum, and candy	26.7	26.3	26.8	25.3
Beverages	26.7	28.8	22.1	21.2
Condiments	7.6	12.2	9.7	9.7
Processed meat	7.9	6.7	6.8	7.2
Meats and entrees	9.3	9.4	9.6	9.7
Pasta and vegetables	9.1	4.9	9.1	9.9
Spices	9.4	4.9	4.7	4.9
Other foods	3.7	3.5	3.6	4.5
Paper and rice	3.1	3.8	4.0	4.2
Baking ingredients	2.2	2.4	2.8	3.0
Cereals	4.9	3.7	3.8	3.8
Snacks	8.9	5.2	6.9	5.8
Milk food	8.4	3.0	3.0	3.3
Other	8.9	9.9	9.8	9.9
Food replacements and special diet foods	6.9	5.4	5.3	5.4

Source: International

## Planning

- Is having a plan important to your success?
- You tell me



## Packing Driven Failures



## Failure to know your customer

Price point too high

Folks don't want healthy at McDonalds



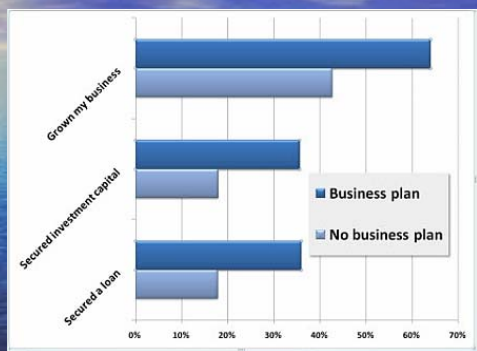
## Brand Extension Failures



## Some are just bad ideas



A Business Plan Doubles your Change for Success –  
Entrepreneur Survey of 2877 Entrepreneurs



## AgPlan

- <https://www.agplan.umn.edu/>
- Or Google AgPlan
- Free Business Planning tool



**AGPLAN™** The Agriculture, Fisheries and Small Business Planning Website

### What is AgPlan?

AgPlan helps rural business owners develop a business plan. Everyone can use AgPlan—for **FREE**.

- **Develop** your own business plan
- **Learn** what you need to include in your plan with **Tips & Resources**
- **View** Sample business plans for ideas
- **Share** your plan—print, download and work with your own Reviewers

[Continue to your Business Plan...](#)

www.agplan.umn.edu

## U.S. Food Trends

- Americans say health concerns influence purchase decisions, but convenience and taste have more influence !!!

lolpictures.com

## Convenience Foods

**What are you doing to save time?**

## Convenience

- Fifteen years ago, the average meal preparation time was approximately one hour.
- Sunday meals that took hours to prepare are now rare.
- Today, the preferred meal preparation time is 30 minutes.

Source: Major Trends Driving Change in the U.S. Food System, Allen F. Wysocki, assistant professor, Department of Food and Resource Economics, University of Florida, Gainesville, Florida.

## Consumers now have:

Consumers now have:

- More money
- Less time
- Fewer domestic skills
- Less inclination to devote time to food related chores.

Result: there is an increased demand for foods that can be prepared in a short period of time.

Source: Understanding Consumer Trends Can Present New Opportunities, Alberta Government

## Convenience is Expected

- convenience has become an expected but secondary feature of introductions.
- In nearly all instances, these benefits are secondary to more in-demand product features like locally grown, health, etc...
- The two most common convenience attributes are:
  1. added portability
  2. ready-to-use.

## Restaurant Trends

### Top 10 trends

- 1 Locally sourced meats and seafood
- 2 Locally grown produce
- 3 Sustainability
- 4 Nutritionally balanced children's dishes
- 5 Hyper-local (e.g. restaurant gardens, do your own butchering)
- 6 Children's nutrition
- 7 Sustainable seafood
- 8 Gluten-free/food allergy conscious
- 9 Simplicity/back to basics
- 10 Farm/estate-branded ingredients



# Institutional Trends

## College Student Cafeteria - Food Trends

### Food trends in 2009:

1. Locally grown fruits and veggies
2. Crispy garlic-ginger chicken wings
3. Mac 'n five cheeses
4. Vietnamese pho
5. Green tea and pomegranate smoothies
6. Crab cake sliders
7. Mini samosas
8. Tilapia Veracruz
9. Goat cheese salad
10. Chicken molé

### Foods trends in 1989:

1. Fruit and cottage cheese plate
2. Chicken nuggets
3. Turkey tetrazzini
4. Chicken chop suey
5. Egg, bacon, and cheese English muffin
6. Half-sandwich and cup of soup
7. Taco bar
8. Spanish beef and rice
9. Vegetarian bean chili
10. Algerian lamb stew

## Who is your Target Market?



## Target Market Examples

Demographic	US Pop.	Hot Sauce Enthusiasts	Pork Consumers*	Frozen Pizza Consumers
Gender				
Male	50%	80%	43%	8.9%
Female	50%	20%	57%	90.8%
Age	35.5	29	55	47
Income	\$34,076	\$60,000	\$31,000	\$43,641
Education – College grad.	23.6%	78%	<10%	26%
Household Size	2.65	1.45	2.65	2.47



## Pricing

- How are you going to price the product:
  - Commodity pricing,
  - Premium
  - Cost plus
  - Quantity discounts
- Whatever the method, it is important that the customer understands the arrangement.
- Make sure pricing includes total cost:
  - Purchase of raw materials
  - Processing
  - Packaging
  - Distribution
  - marketing and promotion.

## What types of media do they use?

- Radio - mornings and late afternoon
- TV- early evenings weekends only
- Publications
  - Health
  - Nutrition
- Internet
- Friends and Family
- Associations or groups

## Distribution- How will you get Products to Consumers?

- Distributors
- Brokers
- Retailers
- You
- Think about it, Dairy in FLA- 50 stores around Tampa area. How can you deliver economically?

## Marketing Channel Mark-ups

Organization	Mark-Up Percentage
Broker*	5%-15%
Distributor*	25%-30%
Wholesaler	10%-20%
Retail	30%-50%

\* May charge an up-front fee ranging from \$1,000 (broker) to a \$10,000 large distributor

## Mark-up Example

<b>Retail Price</b>	<b>Selling Price</b>	<b>\$1.79</b>
	Markup (40%)	\$0.51
	Cost	\$1.28
<b>Distributor</b>	<b>Selling Price</b>	<b>\$1.28</b>
	Markup (27.5%)	\$0.28
	Cost	\$1.00
<b>Your Company</b>	<b>Selling Price</b>	<b>\$1.00</b>
Profit	Markup (25%)	\$0.20
	<b>Total Cost per Unit</b>	<b>\$0.80</b>

## Things you Need to Think About & Buyers Want to Know

- **What is the customer appeal?**
- **Why will consumers buy the product?**
- **Where does it fit into product category?**
- **Who are the competitors?**
- **Will it generate a sufficient profit?**
- **How will it be displayed?**
- **How is it to be advertised and promoted?**
- **What are the pack sizes?**
- **Is the continuity of supply secure?**
- **What after-sales service is available?**

Source: SBSC counsellors John Treverton and Frank Clutton with the assistance of Geoff Lee, Project Manager, Department of Innovation, Industry & Regional Development – Office of Small Business.

## Packaging Counts – Specialty Food Expert

- Have a beautiful product, including jar and label
- Use expensive beautiful glass
- Go to trade shows to show product as well as find out what the competition is doing
- Make your product presentation count- 90% of the purchases of these niche products is based on product presentation.

## Packaging

- First Line of Promotion is Product Packaging and is your silent salesperson
- Evaluate your target market and create a package that is consistent with their expectations- i.e. single jar or 3-pack, arthritis approved.
- Packaging should reflect a product's desired personality (Tennessee Toe Jam)
- Packaging Considerations (size, plastic glass, dressy)
- Selling a 8 oz. Jar of Jelly for \$6.95, it needs to be packaged accordingly



## Hot Sauce Packaging Examples

\$0.99 (3 oz)



\$6.29 (5 oz)



\$6.95 (5 oz)



\$7.59 (4 oz)



\$ 34.29 for 2.5 oz.



\$ 32 for .35 ml



## Jams and Jelly Packaging Examples

\$4.50 (16 oz)



\$5.25 (10 oz)



\$6.24 (16 oz)



\$5.00 (9.9 oz)

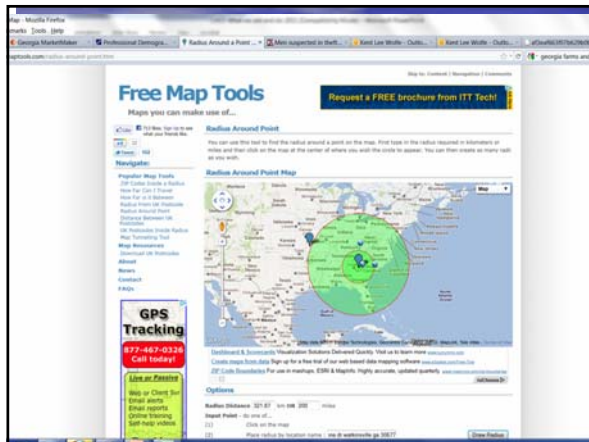


## Very Important to Remember

*"It is easier to sell something people want than it is to sell something that is easy to produce"*

## UGA Resources

- [www.caed.uga.edu/publications/2006/pdf/CR-05-08.pdf](http://www.caed.uga.edu/publications/2006/pdf/CR-05-08.pdf)
- This focuses on estimating market potential and includes market research resources.
- [www.caed.uga.edu/publications/2003/pdf/HT-03-05.pdf](http://www.caed.uga.edu/publications/2003/pdf/HT-03-05.pdf)
- Business skills evaluation tool



## Distance around a point Tool

[www.freemaptools.com/radius-around-point.htm](http://www.freemaptools.com/radius-around-point.htm)

"Adding Value to Georgia's Agricultural Economy Through Research and Extension"

Contact Me:  
Kent Wolfe  
706-542-0752  
kwolfe@uga.edu

[www.caed.uga.edu](http://www.caed.uga.edu)  
College of Agricultural & Environmental Sciences

